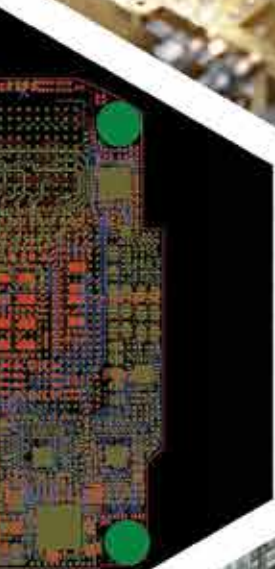
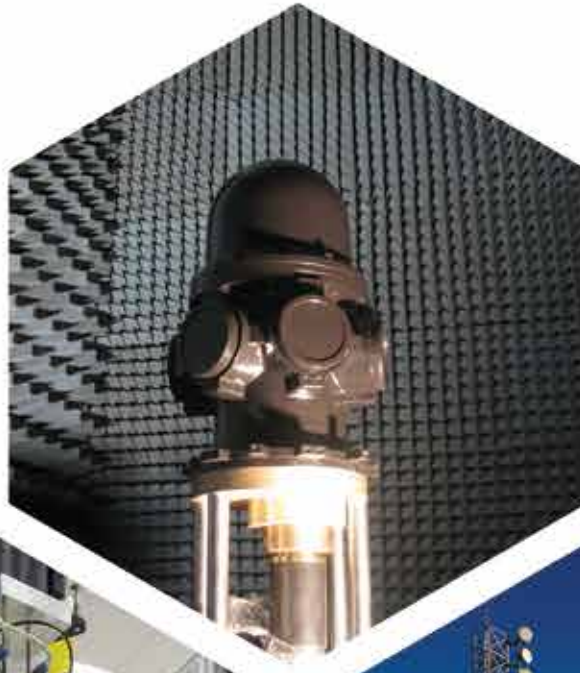
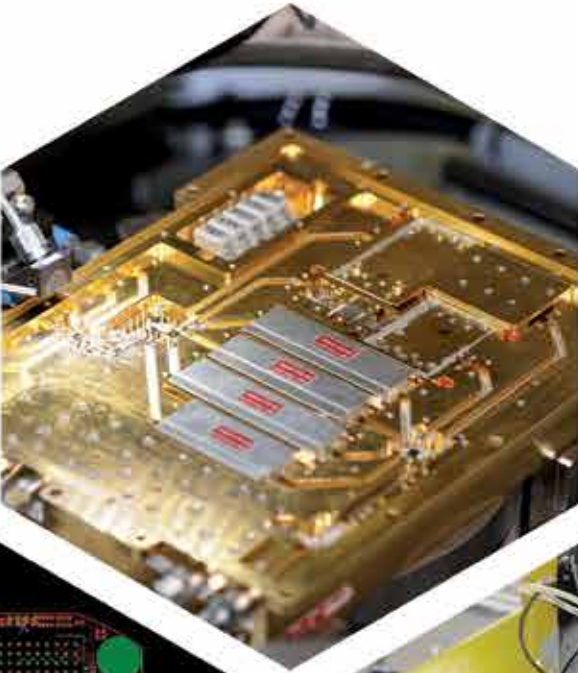


ONE BRAND
ONE MISSION
FIVE SECTORS



aselsan

2014 ANNUAL REPORT



ASELSAN is a company of Turkish Armed Forces Foundation.



Our Vision;

To become one of the top fifty defense industry companies in the world by creating values with customer oriented approach and state-of-the-art technology.

Our Mission;

To design and develop indigenous systems in the fields of defense electronics by using high-end technologies surpassing customer expectations, to utilize our accumulated know-how for commercial applications, and to increase the value of our assets and resources.

Corporate Profile



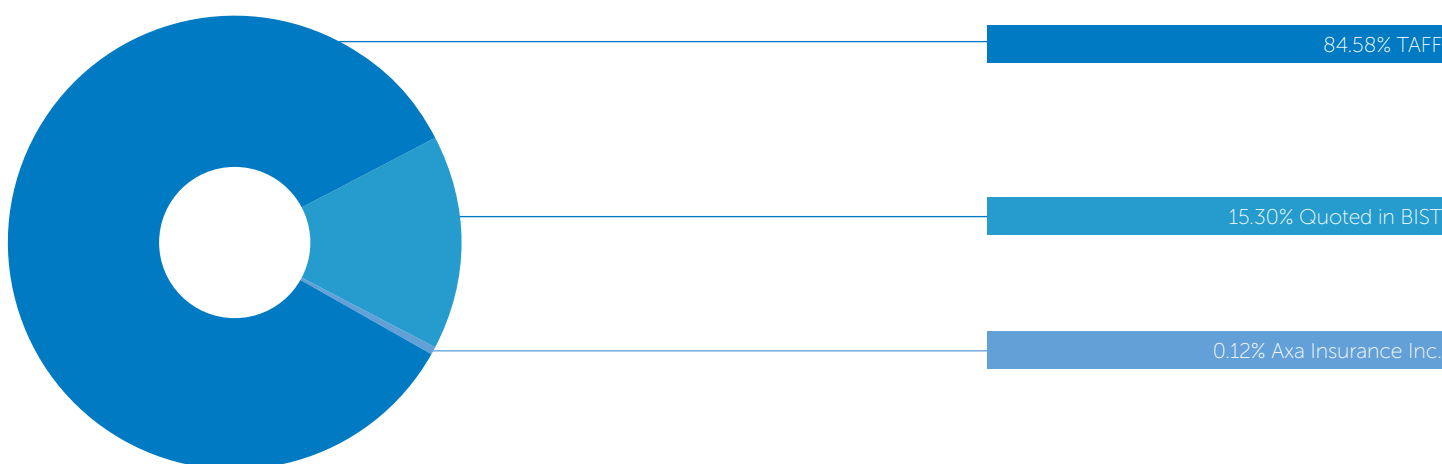
Our Values;

- Customer Oriented
- Dynamic
- Effective
- Innovative
- Modest
- Socially and Environmentally Aware
- Reliable
- Team Spirit
- Work Discipline

Our Shareholders

ASELSAN, which is one of the companies owned by the Turkish Armed Forces Foundation (TAFF), is a public limited company with 84.58% of its shares belonging to TAFF and 15.3% of the shares quoted on the Borsa İstanbul (BIST).

Our Shareholders	Share Amount (TL)	Share (%)
TAFF	422,912,812.23	84.58
Quoted in BIST	76,509,342.32	15.30
Axa Insurance Inc.	577,845.45	0.12
Total	500,000,000.00	100.00



Subsidiaries and Affiliates

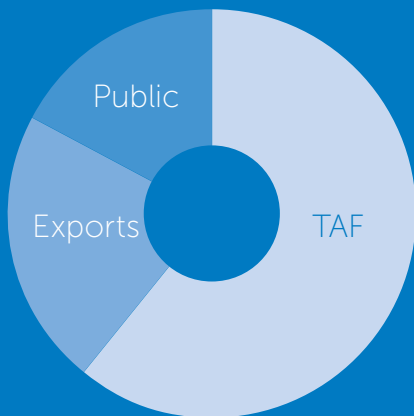
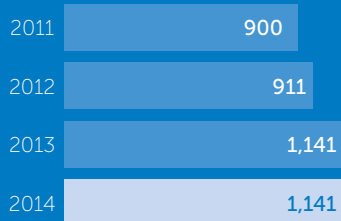
Subsidiaries and Affiliates	Share Amount	Share (%)
MİKES Microwave Electronic Systems Ind. & Trading Inc.*	39,000,000 TL	100.000
ASELSANNET Electronic and Communication Systems Industry, Trade, Construction and Contracting Ltd. Co.	1,000,000 TL	100.000
ASELSAN Baku Company	1,735,212 US Dollar	100.000
Mikroelektronik R&D Design and Trading Ltd. Co.	55,250 TL	85.000
ASELSAN Precision Optics Industry and Trade Inc.	50,000 TL	50.000
ASELSAN BİLKENT Micro Nano Technologies Industry and Trade Inc.	9,000,000 TL	50.000
IGG ASELSAN Integrated Systems LLC	98,000 UAE Dirham	49.000
Kazakhstan ASELSAN Engineering LLP	2,846,607,000 KAZAKHSTAN Tenge	49.000
ASELSAN Middle East PSC. Ltd.	1,225,000 JORDANIAN Dinar	49.000
ROKETSAN Rocket Industry and Trade Inc.	21,906,223 TL	14.897
ASPILSAN Military Battery Industry Trading Inc.	56,000 TL	1.000

* Our Company and MİKES A.Ş. were merged via facilitated procedure on 20 January 2015 in accordance with the Capital Markets Board's permission dated 30 December, 2014.

Financial Status of ASELSAN

Sales

(USD, million)



61% Turkish Armed Forces

22% Exports

17% Public and Private Institutions

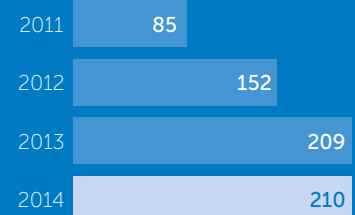
- ASELSAN realized 61% of its USD 1,141 million in total sales to the TAF with private companies and other corporate customers accounting for 17% of sales. Exports accounted for 22% of sales.
- ASELSAN signed contracts/orders amounting to USD 1,177 million in 2014, while its backlog stands at USD 4 billion.
- ASELSAN's share price varied from a minimum of TL 7.64 and a maximum of TL 12.20, ending the year at TL 12.00, posting a gain of 39%. Accordingly, the Company's market value ended the year 2014 at USD 2.6 billion.

Exports

- The total number of countries to which ASELSAN exports to reached 60 with the addition of 3 new countries in 2014.
- A total of USD 170 million in new contracts and orders were signed in foreign markets in 2014, marking an important success.
- ASELSAN moved confidently towards its target of being one the 50 top companies in the global defense industry during 2014.

Exports

(USD, million)



Local Affiliates



1- MİKROELEKTRONİK R&D DESIGN AND TRADING LTD. CO.

Mikroelektronik was established in İstanbul to design and develop integrated circuit and electronic systems. The partnership with this company was established through the purchase of 85% of the shares in 2010.



2- ASELSANNET ELECTRONIC AND COMMUNICATION SYSTEMS INDUSTRY, TRADE, CONSTRUCTION AND CONTRACTING LTD. CO.

ASELSANNET was established in 2006 to meet the needs of civilian companies and institutions for electronic and communication devices. Its operations have also included communication system infrastructure turn-key deliveries and installation work since 2009. ASELSAN is the 100% shareholder in this company.



3- MİKES MICROWAVE ELECTRONIC SYSTEMS IND. & TRADING INC.

MİKES was established in 1987 and is specialized in the production of electronic war self-defense systems for aircraft, as well as the design, development and production of civilian and military electronic equipment. Our Company and MİKES merged via facilitated procedure on 20 January 2015 following the permission of the Capital Markets Board on 30 December 2014.



4- ROKETSAN ROCKET INDUSTRY AND TRADE INC.

ROKETSAN was established in Ankara in 1988 to manufacture all types of missiles, rockets, rocket launchers and rocket fuel and their engines, warheads and other components, while also undertaking the manufacture, marketing and sales of all types of military and civilian products that require high level and sensitive technology. ASELSAN holds a 14.897% stake in the company.



5- ASELSAN PRECISION OPTICS INDUSTRY AND TRADE INC.

ASELSAN PRECISION OPTICS was established in Sivas in 2014 to conduct research and development studies for optics, optical sets and optical devices in relation to ultraviolet, visible and near infrared bandwidths and to manufacture and sell these optical devices. ASELSAN holds 50% of the shares in this company.



6- ASELSAN BİL KENT MICRO NANO TECHNOLOGIES INDUSTRY AND TRADE INC.

ASELSAN BİL KENT MICRO NANO TECHNOLOGIES was established in Ankara, Bilkent in 2014 to conduct research and development studies related to all types of semi-conductors and similar applications for technological materials and to manufacture and sell micro- and nano- scaled devices which include these materials. ASELSAN holds 50% of the shares of the company.

Global Affiliates



1- ASELSAN BAKU COMPANY (Baku - Azerbaijan)

The Company, 100% owned by ASELSAN, was established in 1998 to carry out the publicity/ marketing and sales activities of military and civilian communication devices.



2- KAZAKHSTAN ASELSAN ENGINEERING LLP (Astana - Kazakhstan)

The Company was established in Kazakhstan in 2011 to carry out the manufacturing, development and maintenance-repair of electronic devices and systems to meet military and civilian needs in a partnership between ASELSAN 49%, the Undersecretariat for Defense Industries (UDI) 1% and Kazakhstan Engineering 50%.



3- ASELSAN MIDDLE EAST PSC. LTD.

The Company was established as a joint venture company to meet the night vision needs of the Jordanian Military Force with the KADDB Investment Group (KIG) holding a 51% stake in the Company and ASELSAN holding 49% of the shares.



4- IGG ASELSAN INTEGRATED SYSTEMS LLC (Abu Dhabi - UAE)

IGG ASELSAN Integrated Systems was established with the aim of manufacturing, testing, and integrating ASELSAN's products in the UAE and selling and providing after-sales technical support in Gulf countries, and the UAE in particular, in 2011 in a partnership between ASELSAN 49% and IGG 51%.



5- ASELSAN SOUTH AFRICA BRANCH (Pretoria - Republic of South Africa)

This Company is the branch we established to operate in the fields of design of optical systems and introduction and marketing of ASELSAN's products in South Africa and nearby countries in 2011.

Facilities in Turkey



Macunköy Facility

The Macunköy Facility was established over a total area of 186,000 m², of which 110,000 m² is enclosed. ASELSAN Macunköy Facility are home to the Presidency and Communications and Information Technologies Business Sector, Defense System Technologies Business Sector and Radar&Electronic Warfare Systems Business Sector. The Radar&Electronic Warfare Systems Business Sector will be located in ASELSAN Gölbaşı Facility by 2015.



Akyurt Facility

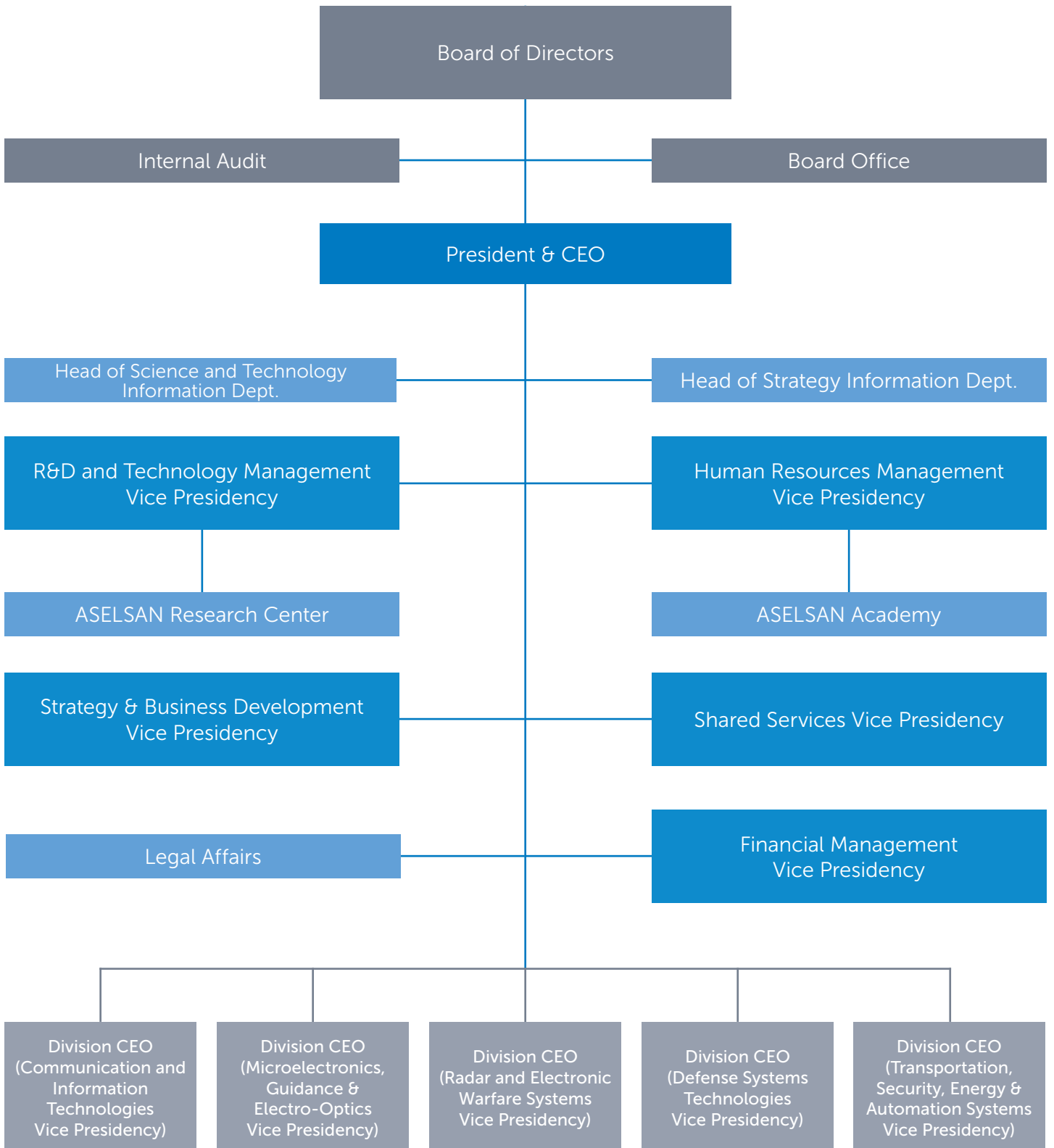
The Akyurt Facility was established on a total area of 231,000 m² of which 54,000 m² is enclosed. The Microelectronic Guidance and Electro-Optic Business Sector is located in the ASELSAN Akyurt Facility.



Gölbaşı Facility

The Facility was established in the Gölbaşı district of Ankara, and houses production plants for radar and electronic warfare systems for land, air, sea, space and unmanned platforms. This Facility was established on a total area of 350,000 m², of which 75,000 m² is enclosed. Construction work on the Facility started in 2013 and was completed in 2014.

Organization



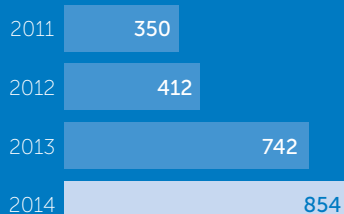
Financial Highlights

Summary Balance Sheet (TL Million)	2014	2013	2012	2011	2010
Total Assets	4,985	4,008	3,324	2,392	2,273
Intangible Assets	439	373	298	172	113
Fixed Assets	854	742	412	350	272
Total Equity	2,219	1,612	1,266	1,019	885

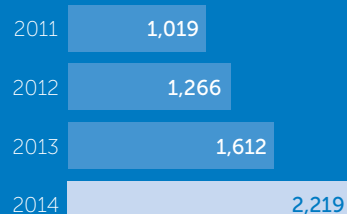
Summary Income Statement (TL Million)	2014	2013	2012	2011	2010
Sales Revenue	2,498	2,171	1,633	1,502	1,212
Gross Profit	601	559	398	396	308
Net Profit for the Year	350	238	306	161	227

	2014	2013	2012	2011	2010
R&D Expenses (TL Million)	807	728	581	447	378
Sales per Employee	468	406	321	320	285
EBITDA Margin (%)	18	20	16	19	18
Return on Equity (%)	16	15	24	16	26

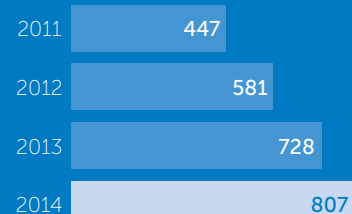
Fixed Assets (TL Million)



Total Equity (TL Million)



R&D Expenses (TL Million)



Total Assets (TL Million)

2011	1,502
2012	1,633
2013	2,171
2014	2,498

Gross Profit (TL Million)

2011	396
2012	398
2013	559
2014	601

Net Profit for the Year (TL Million)

2011	161
2012	306
2013	238
2014	350



Sales per Employee (TL Million)

2011	320
2012	321
2013	406
2014	468

EBITDA Margin (%)

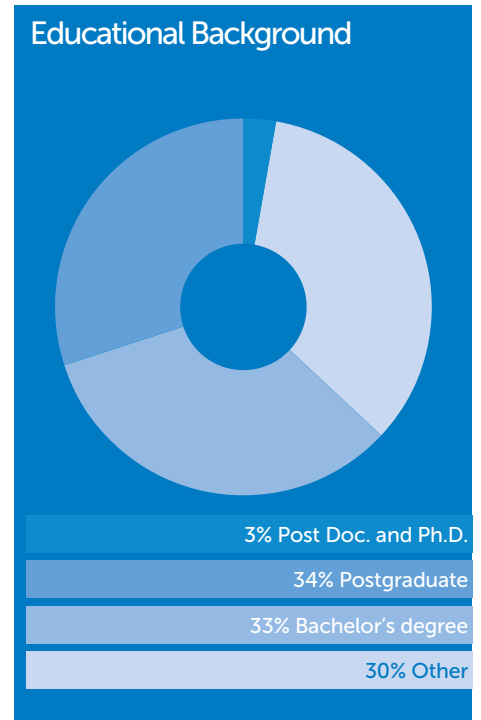
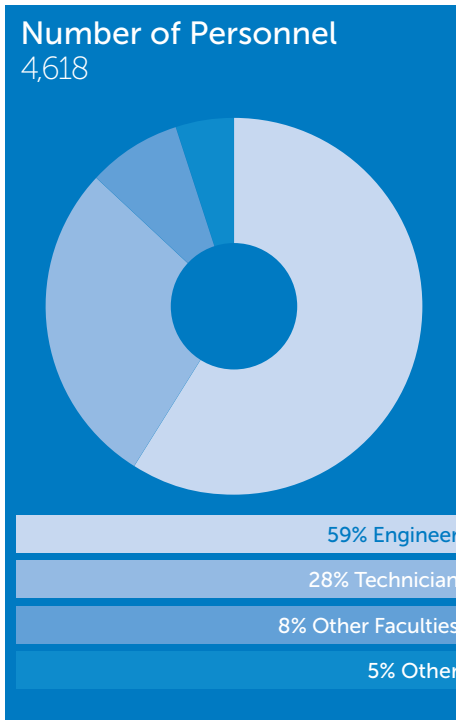
2011	19
2012	16
2013	20
2014	18

Return on Equity (%)

2011	16
2012	24
2013	15
2014	16

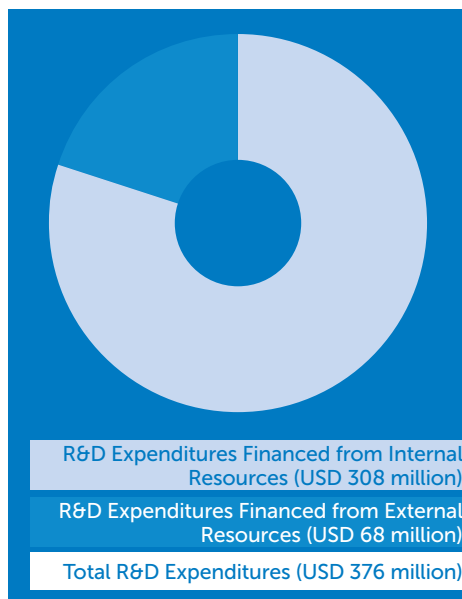
Human Resources

ASELSAN pursues a management style which adds value, always supports its personnel, brings successful and dynamic talented individuals to the Company and contributes to the Company's sustainable success by following a personnel focused approach in line with its vision.



R&D Activities

ASELSAN embraced the target of being one of the world's 50 top corporations in the defense industry by continuously producing value with its customer-oriented approach and strong staff who direct the technology by continuously creating value, with an emphasis on technology in its vision. As well as the development activities carried out within the scope of the contracts, which are important means of reaching this target, ASELSAN also spares on average 6% of its revenue to R&D activities financed with its own equity.



6
R&D Center

2,283
A total of 2,283 people work as R&D engineers, of which 2,152 work in ASELSAN and 131 work in MİKES.

Collaboration with Universities

Our universities are the most important stakeholders of defense industry companies whose primary capital is highly talented human resources. Our universities not only provide qualified human resources and are the means of education, but also increasingly contribute to the industry's technology development activities.

24

Universities with
collaboration

262

Projects conducted with the
universities

USD 133 Million

Value of projects assigned to
the universities

Collaboration with Suppliers

- Approximately 500 domestic suppliers and sub-contractors, most of which are SMEs
- 420 sub-contractors
- The backlog of contracts provided to domestic companies is USD 1,020 million
- A total of USD 293 million was paid to domestic sub-contractors in 2014.

293

USD 293 million was
paid to 420 domestic
sub-contractors, 342 of
which are SMEs, for their
completed work in 2014.

420

ASELSAN has 420 domestic
sub-contractors, 342 of
which are SMEs.

USD 1,020 Million

SMEs and domestic
sub-contractors total
backlog

Management

- Chairman's Message
- Members of the Board of Directors
- Corporate Governance
- CEO's Message
- Members of the Execution Board

In 2014

- Strategy and Business Development
- R&D and Technology
- Highlights in 2014

Field of Activities

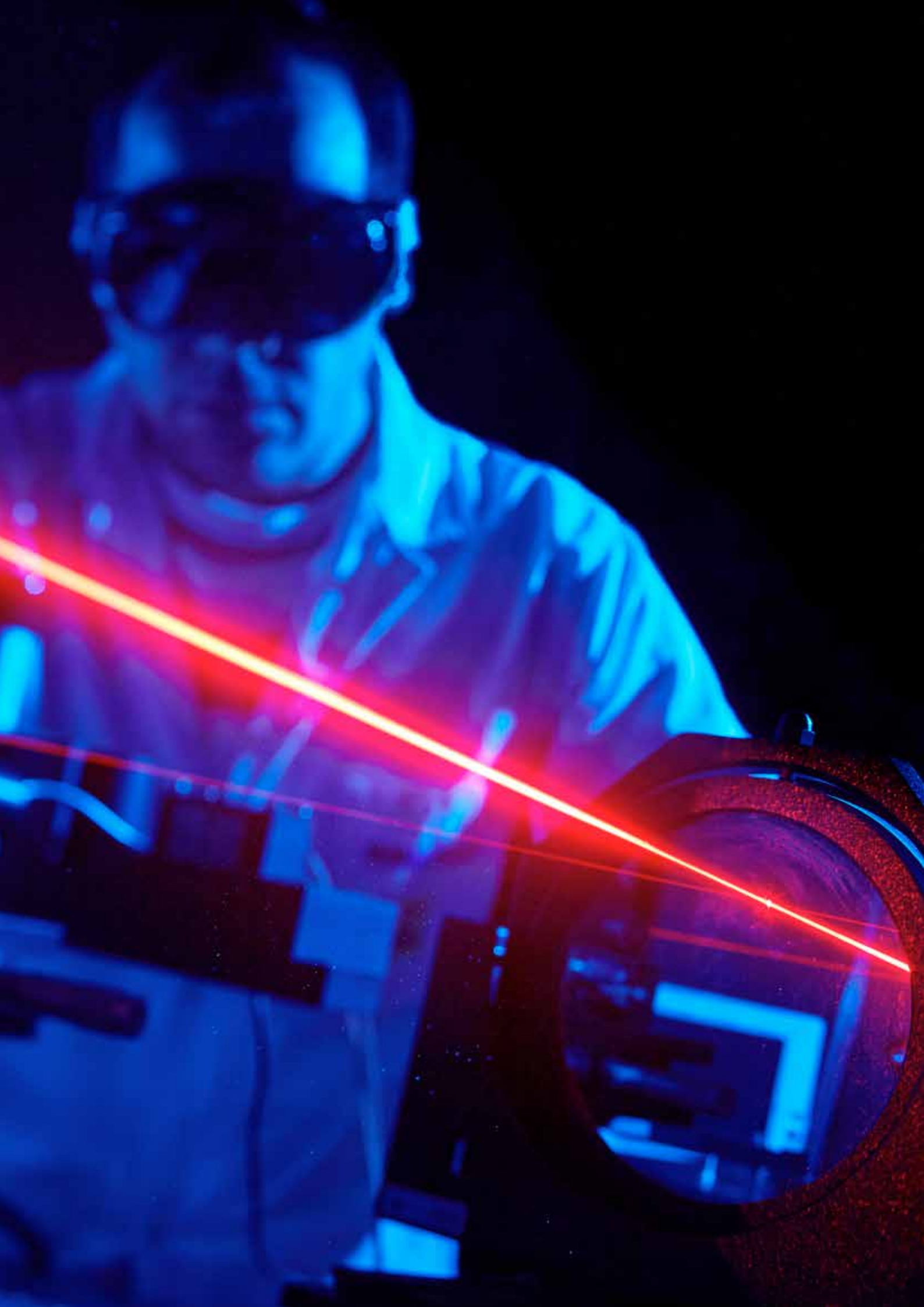
- Communications and Information Technologies Business Sector
- Defense System Technologies Business Sector
- Microelectronic Guidance and Electro-Optic Business Sector
- Radar and Electronic Warfare Systems Business Sector
- Transportation, Security, Energy and Automation Systems Business Sector

Financial Information

- Consolidated Statement of Financial Position
- Consolidated Statement of Financial Profit or Loss
- Consolidated Statement of Financial Comprehensive Income
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flow

Abbreviations

Contact



Message from the Chairman

Esteemed shareholders of ASELSAN,

2014 was a year overshadowed by a slew of negative indicators regarding growth and economic activity in developed economies, while 2015 is expected to be a year of limited global growth. However, the Turkish economy rounded off a year of growth in 2014, setting itself apart from other developing countries. Despite the deterioration in the European economy, our national defense industry has sustained its growth trend in defense investments in the areas where we are competitive.

While the effects of global economic crisis in Western European countries continued to impact worldwide defense expenditures in 2014, spending on defense increased in the Middle East and Northern Africa, marking a shift in the distribution of defense spending between well-known markets.

Sustaining our rise in global rankings

Technology is developing rapidly and competitive conditions are becoming increasingly challenging in both domestic and foreign markets. With the continued evolution of the competition and advancement of technology and change, it is imperative that companies act in an increasingly rapid and dynamic manner in the fields of novelty, innovation, productivity, communication and risk management. In this context, ASELSAN rose confidently in the global league thanks to the level of technology that it has reached, the power of its R&D and the further development of its design and manufacturing competencies. ASELSAN moved one step closer to its target of being one of the world's top 50 defense companies, by reaching the 67th rank. On the way to reaching this target, we took significant steps regarding exports, especially in the last 5 years.

Continuing to generate earnings for our investors on the Borsa İstanbul

This year, as it was last year, ASELSAN was again closely watched by institutional investors thanks to the policies it has followed regarding the development of corporate governance and increased transparency. ASELSAN's shares were in the BIST 30, BIST 50 and BIST corporate governance indices, and ASELSAN was one of the star performers in the year, providing its investors with a 39% return to its investors in 2014.

As a result of our efforts carried in the corporate governance area, the public disclosure and transparency grade of ASELSAN, which was 85.30 over 100 in 2013, has increased to 98.21 in 2014. This grade, which is the indicator of ASELSAN paying significant attention to inform its investors and stakeholders in an accurate and timely manner, also emphasizes that ASELSAN is a fair, responsible, transparent and accountable company.

A restructuring at ASELSAN

Our domestic and international organizations were restructured in line with our vision of becoming a global company. The main targets of the restructuring were to support the critical technological talent that the Company possesses, to attain the new technological talent that it targets, to increase R&D competence on a global level, to develop human resources and ensure their sound training, and to expand the Company by accessing new markets both inside Turkey and internationally.

Five Deputy General Managers were established; the Financial Management Deputy General Manager, the Support Services Deputy General Manager, the R&D and Technology Deputy General Manager, the Strategy and Business Development Deputy General Manager and the Human Resources Deputy Management General Manager to increase the effectiveness of planning, monitoring and evaluation functions at the strategic level.



ASELSAN moved one step closer to its target of being one of the world's top 50 defence companies, by reaching 67th rank.

In order to achieve higher efficiency for the planning, monitoring and measuring functions in the strategic level; five Vice Presidencies with the names Financial Management Vice Presidency, Shared Services Vice Presidency, R&D and Technology Management Vice Presidency, Strategy & Business Development Vice Presidency and Human Resources Management Vice Presidency, were established:

- 1- Communication and Information Technologies Business Sector (HBT) to work in the fields of Communication, Information and Space Technologies.
- 2-Microelectronics, Guidance and Electro-Optics Business Sector (MGEO) to work in the fields of Electro-Optic, Guidance, Avionic, Unmanned Systems and Micro Electronic Technologies.
- 3-Radar and Electronic Warfare Systems Business Sector (REHIS) to work in the fields of Radar, Electronic Support, Preventive Electronic Warfare Systems and Electronic Warfare Self-Defense Systems.
- 4-Defense Systems Technologies Business Sector (SST) to work in the fields of Air Defense, Land, Naval and Weapon Systems.
- 5-Transportation, Security, Energy and Automation Systems Business Sector (UGES) to work in the fields of Transport, Security, Traffic and Automation Systems and Energy Technologies.

We are including civilian projects in our operations

ASELSAN will also act in a manner to enable maximum productivity and profitability in its existing areas of operation this year. It will follow an active policy to exploit opportunities for new technology. We will aim to increase our competitive power by developing our

technologies in our areas of operation and developing innovative, environmentally friendly, energy efficient systems and products. We will diversify our export markets, seeking to shield ourselves from the regional economic volatility, as we did last year. ASELSAN aims to take part in large-scale civilian projects such as the National Train project, the Nuclear Power Plant, the 3rd airport and the regional Passenger aircraft. It will sustain its presence by strengthening its operations in civilian areas through its work on the National Radio Project and Border Security field.

We consider universities as our inherent business partners

The vision of the defense industry is determined according to a target of "the industry that leads technology". To reach this target, as well as good engineers, scientists who are devoted to basic sciences are required. In 2014, ASELSAN in accordance with the emphasis it gives to the collaboration with universities, has initiated studies to acquire especially core technologies. 262 projects were completed with 24 universities and USD 133 million of fund was transferred to our universities in 2014.

The foundation of Turkey's first microchip factory was established in a partnership between ASELSAN and BILKENT University. AB-MikroNano, which was established under ASELSAN and Bilkent University collaboration, will produce chips that has strategic importance for defense, space, communication and energy sectors, and will be the very first in Turkey to produce commercial chips and electronic integrated circuits. The nanotechnology based products which shall be produced by the company, will also be exported. This marks a shift for Turkey from the consumer league in nano technology in to the manufacturers' league, thanks to this partnership.

We are adding new ones to our existing social responsibility projects

We always place importance on adding value to our country and the quality of life of our citizens through our social projects, in addition to our economic activities. We carry out and organize a wide array of projects aimed at supporting social needs in certain areas, environmentally friendly applications in our products and to improving the working conditions of our personnel.

Furthermore, ASELSAN has achieved to be one of the only 15 companies, which were eligible to be listed in BIST Sustainability Index, which reveals the performance of the companies regarding the fields such as environment, social responsibility, occupational health and safety, corporate governance, transparency. This success of our Company is the result of a longstanding devotion to sustainability, and has enabled us to prove ourselves in this area.

As we enter our 40th year of operation with eager anticipation, I would like to express my heartfelt gratitude to our shareholders who have always stood with us and have never failed to support us, and our managers and personnel. I hope to be present before you with another successful set of results next year as well. I extend my greetings on behalf of myself and the Members of the Board.

Dr. Hasan CANPOLAT
Chairman of Board of Directors

Members of the Board of Directors



1

1- Dr. Hasan CANPOLAT
Chairman of the Board of Directors and Managing Member

Hasan CANPOLAT completed his PhD in 2002. He carried out a number of duties between 2003 and 2012, including the positions of Mayor, Assistant Undersecretary of the Ministry of Interior Affairs and Deputy Undersecretary. He is currently working as an advisor to the Minister of National Defense. He was appointed as a Board Member for ASELSAN in 2013 and as Chairman of the Board on 31 March 2014.



2

2- Dr. Murat ÜÇÜNCÜ
Vice Chairman of the Board of Directors and Managing Member

Murat ÜÇÜNCÜ was awarded his PhD in 1989. He was appointed as a Board Member of ASELSAN in 2013 after his retirement from the Turkish Armed Forces in 2012. He was appointed as the Vice Chairman of the Board on 31 March 2014.

3- Mustafa Murat ŞEKER
Board Member

Mustafa Murat ŞEKER started working in the Undersecretariat for Defense Industries in 1992. He was the Head of the Naval Devices Department in 2011. He has been working as a Head of the Electronic Warfare and Radar Systems Department since 2014 and was appointed as a Board Member of ASELSAN in 2013, where he is also a member of Corporate Governance Committee.



3

4- Ziya AKBAŞ
Board Member (Independent)

Ziya AKBAŞ became a Certified Public Accountant on 1997. He has worked in different institutions and companies as an Independent Auditor, Member of the Auditing Committee and as an Ombudsman since 1997. He was appointed as an Independent Board Member of ASELSAN on 31 March 2014 and he is also the Head of the Auditing Committee.



4



5- Dr. Ahmet Can ÇEVİK
Board Member

Ahmet Can ÇEVİK was awarded his PhD in 2009. He was appointed as Board Member of ASELSAN on 31 March 2014 after his retirement from the Turkish Armed Forces in 2013. He is also a member of the Corporate Governance Committee and the Early Detection and Management of Risk Committee.

6- Celalettin DÖVER
Board Member (Independent)

Celalettin DÖVER worked in a number of different institutions and companies at the upper management level as Head of Office, Assistant General Manager, General Manager and consultant between 1992 and 2013. He was appointed as an Independent Board Member of ASELSAN on 31 March 2014. He is also the head of Early Detection and Management of Risk Committee and a member of the Auditing Committee.

7- Prof. Dr. Oral ERDOĞAN
Board Member (Independent)

Oral ERDOĞAN became an Assoc. Prof. Dr. in 2000 and Full Professor in 2005. He worked in a number of different institutions and companies as a Dean, Assistant Chancellor, Consultant and Member of Board between 2001 and 2013. He was appointed as an Independent Board Member of ASELSAN on 31 March 2014. He is also the head of Corporate Governance Committee and a member of Auditing Committee.

8- Prof. Dr. Ahmet KESİK
Board Member

Ahmet KESİK worked at the upper level management in the Ministries of Finance and Development between 2002 and 2013. He was appointed as a Board Member of ASELSAN on 31 March 2014. He is also a member of the Early Detection and Management of Risk Committee.

9- Assoc. Prof. Dr. Sedat NAZLIBİLEK
Member of Board

Sedat NAZLIBİLEK was awarded his PhD in 1993. He earned the title of Associate Professor in 2013 and was appointed as a Member of Board of ASELSAN in 2014.

Corporate Governance

Corporate Governance acumen and compliance with the legislation is an indispensable element of the culture at ASELSAN

ASELSAN's belief that its sustainable growth can only be achieved with the full trust of its stakeholders in line with its vision and mission plays an important part in its unwavering efforts to comply with the principles of corporate governance as well as national and international legislation.

ASELSAN's management carries out all of the Company's activities in accordance with its policies shaped by 40 years of experience and the knowledge it has accumulated, along with corporate governance principles, processes and an integrated management system and with a strong ethical awareness.

ASELSAN, which adopted the concept of corporate governance as a core principle, has been publishing a Compliance Report on the Principles of Corporate Governance every year since 2004. The rights of shareholders, Annual General Assembly Meetings, dividend distribution policy, disclosure policy, human resources and ethical principles, relations with stakeholders, the structure, formation, activity essentials and committees of members of board, risk management and internal audit including minority rights which are under the headings of shareholders, informing the public and transparency, interest groups and members of the board within the scope of the Corporate Governance Principles regulated by Capital Markets Board are detailed within the report. The Report on the Compliance of Corporate Governance Principles and its activity reports are published on the Company's website (www.aselsan.com.tr) and in the annual reports.

ASELSAN's Corporate Governance Mark Rose to 9.09

ASELSAN was awarded a score 8.77 out of 10 on 13/12/2012 by SAHA Corporate Governance and Credit Grading (SAHA) in 2012. This mark is the second best preliminary mark among the corporate

governance grading marks given in Turkey. ASELSAN's Corporate Governance grading mark was updated as 9.07 out of 10 according to the report published by SAHA on 13/12/2013 as a result of the improvements to its activities undertaken in 2013. SAHA updated all of its customers' Corporate Governance grading marks for 2013 as per the decisions taken in the Capital Markets Board meeting numbered 4/105 and dated 01/02/2013. The aforementioned update resulted from the revision to Corporate Governance grading marks for 2013 in accordance with the renewed grading principles and methodological change. Within this scope, our mark was updated again to 8.57 out of 10, which had been updated as 9.07 out of 10 on 13/12/2013.

The steps that ASELSAN has taken towards full compliance with the Principles of Corporate Governance in 2014 started to bear results, with its mark updated to 9.09 on 12/12/2014 which was 8.57 out of 10 following the grading methodology change. ASELSAN has been in the BIST Corporate Governance Index since it was awarded its first corporate governance mark.

ASELSAN's Management Structure ASELSAN Board of Directors

ASELSAN's management structure consists of only one layer, which is the Members of the Board elected by the General Assembly. There are no member of board who are responsible for execution.

In other words, the Chairman and CEO roles are separated at ASELSAN. Three members of the Board, which consist of 9 members in total, are independent. All members of the Board are responsible for the economic performance of the Company. The CEO has an execution responsibility in the fields of social responsibility and the environment.

Three committees have been formed in accordance with the Principles of Corporate Governance set out by the Capital Markets Board. They operate to enable the Board to fully execute its duties and responsibilities.

Auditing Committee

The committee consists of three independent members of the board. The main responsibilities of the committee are to inform the public regarding financial issues and monitor ASELSAN's accountancy systems, independent internal and external auditing and internal control systems' effectiveness and efficiency. The Internal Auditing Office Head reports directly to the Auditing Committee and Members of Board. The Auditing Committee convenes a minimum of four times a year.

Corporate Governance Committee

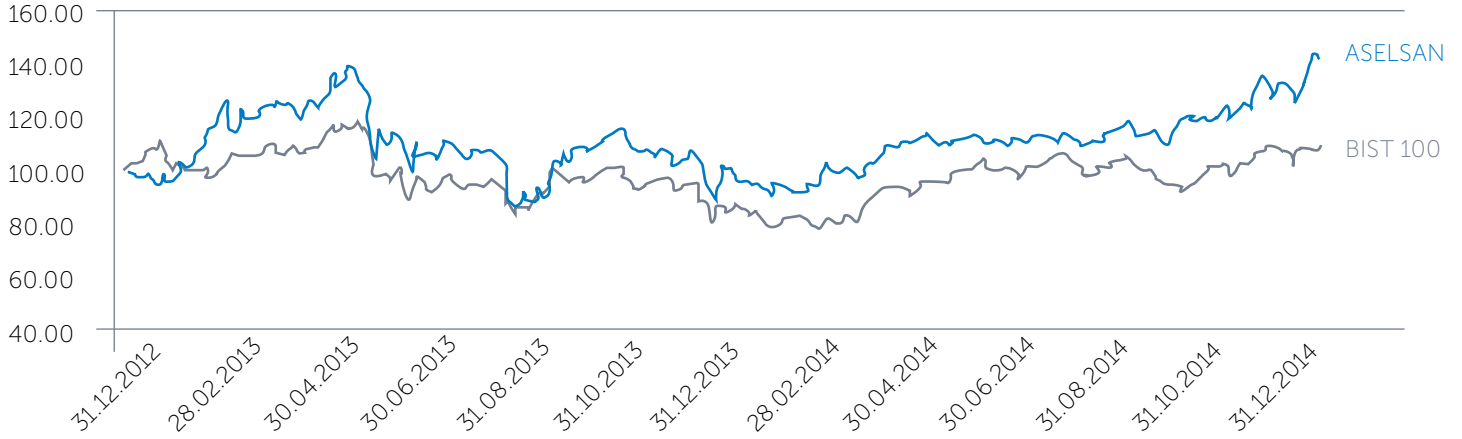
The committee consists of four members of the board. The head of the committee is an independent the member of the board. The investor relations manager also is a member of the committee as per Capital Markets Commission's regulations. The committee proposes suggestions to the members of board for the compliance with corporate governance principles and the realization of improvement activities. It also observes Investor Relations Department's activities. The committee convenes a minimum of four times a year.

Early Detection and Management of Risk Committee

This Committee was established to identify operational, strategic, financial and other risks and to manage them in accordance with the Company's corporate risk profile. Three Members of the Board serve on the committee, which is headed by an independent Member of the Board. The Committee convenes a minimum of six times a year.

The principles regarding the formation of committees and the manner they work, meet and report are determined by the Members of the Board. The detailed information regarding the corporate management structure of ASELSAN, Members of the Board and the committees may be obtained from www.aselsan.com.tr website.

ASELSAN provided 39% return to its investors in 2014.



Committees at ASELSAN

Three committees have been formed in accordance with the Capital Markets Board's Principles of Corporate Governance by ASELSAN's Members of Board.

Auditing Committee	Corporate Governance Committee*	Early Detection and Management of Risk Committee
Ziya AKBAŞ (Committee Chairman)	Oral ERDOĞAN (Committee Chairman)	Celalettin DÖVER (Committee Chairman)
Celalettin DÖVER (Committee Member)	Mustafa Murat ŞEKER (Committee Member)	Ahmet KESİK (Committee Member)
Oral ERDOĞAN (Committee Member)	Ahmet Can ÇEVİK (Committee Member)	Ahmet Can ÇEVİK (Committee Member)
	Pınar ÇELEBİ (Committee Member)	

*The Nomination Committee and Remuneration Committee were not formed due to the structure of the Members of Board. The duties and responsibilities of these committees are undertaken by the Corporate Governance Committee.



For detailed information please visit the Corporate Governance section at www.aselsan.com.tr

Message from the CEO



Our strong growth was reflected to our financial results and the Company's turnover exceeded the USD 1 billion threshold. Our 2014 financial statements illustrated the continuous, steady and the rapid growth of the Company. Consolidated turnover increased by 15% YoY to exceed USD 1 billion. The share of international sales in overall revenues reached 18% in line with our target of boosting our presence in international markets.

Our equity stood at TL 2.2 billion at the end of 2014, a year in which we recorded a gross profit of TL 601 million and a net profit of TL 350 million. In light of these results, ASELSAN posted a Return on Equity of 19% in 2014. In this period, ASELSAN's consolidated total sales reached TL 2.5 billion, with the backlog of contracts surpassing TL 2.6 billion in 2014. The number of countries which we export to reached 60 in 2014 and the value of our exports reached USD 210 million. Our performance in 2014 provided us with the reserves and strength necessary to execute our future investment and growth plans.

ASELSAN Continues to Grow

ASELSAN has followed development and growth opportunities both domestically and abroad in line with its vision of being one of the best players in the world defense industry league. As well as direct sales to many countries, ASELSAN aims to co-manufacture with local companies through the transfer of technology. ASELSAN, which is in a position to supply technological products and systems, is strengthening its identity of being a leading global player in its region in line with its rise in the international league.

We have completed the investment of the joint ventures which we established in the UAE, Jordan and Kazakhstan in order to strengthen our presence in the Middle East, the Gulf and the Caspian regions. All companies became operational in 2014.

In this context, ASELSAN MIDDLE EAST (AME), established by both ASELSAN and the KADDB Investment Group, and the KAZAKHSTAN ASELSAN ENGINEERING (KAE) plant, established by both ASELSAN and Kazakhstan Engineering, were launched with a ceremony.

Within the scope of our investments, we completed the operations regarding the Ankara-Gölbasi Facility, the construction of which still continues over a 325,000 m² area. This investment will stand as a superior technology center for our operations in the field of radar and electronic warfare. When operations in the field of radar and electronic warfare are moved to the Gölbasi Facility, the spacing needs of the other business sectors will be met. The enlargement of working areas will go a long way towards supporting our overall performance.

A plot of 400,000 m² was purchased in the Capital Industrial Zone in the Temelli district in order to meet the infrastructure, testing and integration needs of Air Defense Systems projects being carried out in ASELSAN.

Consolidated turnover increased by 15% YoY to exceed USD 1 billion.

USD 376 million allocated to innovation and indigenous development

It is vital for ASELSAN, which operates in line with its vision of being one of world's top 50 defense companies, acquires the core competencies needed to develop high-tech products. Therefore, ASELSAN has always placed tremendous importance on technological management since its foundation. R&D and Technology Management Vice Presidency, which is comprised of managers specialized in engineering, was established in 2014 in order to systemize technological management activities, where periodical evaluations are conducted and technology target plans are prepared in accordance with the forecasts.

With a turnover of over USD 1 billion in 2014, ASELSAN allocated USD 376 million to R&D activities. The total number of personnel working in R&D centers had reached 2,283 by the end of 2014.

We also carry out R&D activities financed with through equity alongside the development activities carried out in accordance with the contracts signed. R&D expenditures financed with equity reached USD 68 million in 2014, accounting for 6% of our revenues.

Growing in parallel with our sub-contractors

ASELSAN paid a total of USD 293 million to 342 SMEs and 420 domestic sub-contractors, 342 of which were SMEs, for their services in 2014. Again in 2014, the total worth of common contracts signed with the sub-contractors reached USD 1,020 million. As a result of these activities, the share of goods and services purchased in order to manufacture within the domestic market has been increasing each year. Measures are taken to contribute to the development of domestic companies' technological infrastructure and to raise their level of experience.

Respecting the environment

We always bear in mind of our environmental and social responsibilities in all processes, as well as being focused on "sustainable development". We are undertaking efforts to minimize our environmental impacts generated during the production processes within the concept of sustainability of resources.

We continue to support initiatives and projects carried out in Turkey and on international platforms with regard to tackling climate change. ASELSAN taking part in "Carbon Transparency Project" is an important step aimed at sharing strategies regarding greenhouse gas emissions and climate change with international corporate investors. ASELSAN also successfully attained the "highest" category, which is a major first on behalf of Turkey's defense industry. These are all important indicators of ASELSAN's sensitivity concerning these issues.

Our Human Resources offer us an important advantage

We are in advantage position with our Human Resources. We press forward a real global company which is trustworthy, creative, respects people, and supports dynamic thinking, backed by an energetic and young team. The average age of this team, which is not only young but also dynamic, is 35. ASELSAN operating with the awareness that the young generation attaches importance to novelty and an openness to development when evaluating work opportunities. ASELSAN is proud to be one of the mostly sought after companies to work for by university students.

Moving forward with confidence

The 3rd Private Sector R&D Centers Summit was organized by the Ministry of Industry and Technology on 10-11 December 2014. Our Company was deemed worthy of first place in the general ranking and was awarded with the Defence Industry Prize.

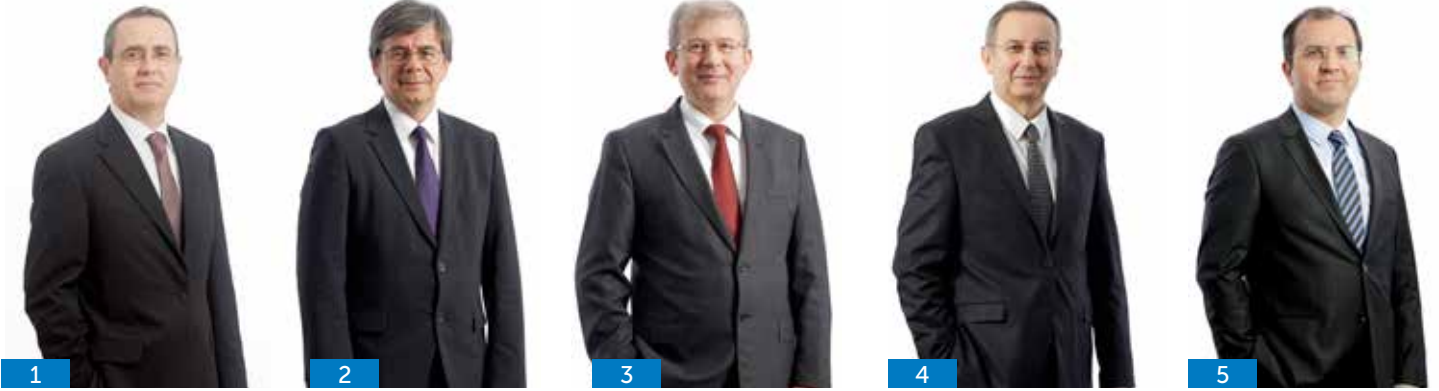
In this period, the factors that will carry us to new successes and our targets are our innovative R&D acumen, the confidence which we derive from producing our own technology, the competitive advantage brought about by our flexible and rapid business model and our highly competent human resources.

Backed by its new organization supported by sustainable growth targets, ASELSAN will continue to strengthen its position by evaluating global expansion opportunities with the principles of one brand, five sectors and one mission in the forthcoming periods.

I would hereby like to extend by sincere gratitude and regards to all stakeholders, especially our customers for their trust in our products, and to our shareholders whose support we always appreciate.

Dr. Faik EKEN
CEO

Members of the Executive Board



1- Dr. Faik EKEN

CEO, Head of the Executive Board

He graduated with a BSc. in Electric/Electronic Engineering from the Michigan Technical University in the USA and was awarded a PhD from Tulane University in 1985. He started working as an electronic engineer in the Digital Systems Department in 1986. He was appointed as the President of the Communications and Information Technologies Group and as Vice President in 2006. He was appointed as the CEO of ASELSAN in 2014.

2- Yavuz Suat BENGÜR

Vice President, Transportation, Security, Energy and Automation Systems Business Sector CEO

He graduated with a BSc. in Electric/Electronic Engineering from the Middle East Technical University and a MSc. in Electric/Electronic Engineering from the same university. He started working as an R&D engineer at ASELSAN in 1981. He was appointed as Naval Systems Program Director in 2008 and as Sector CEO and Vice President in 2014.

3- Yavuz BAYIZ

Vice President, Communications and Information Technologies Business Sector CEO

He graduated with a BSc. in Electronic Engineering from the Middle East Technical University, and a masters' degree from the same university in 1988. He started working as a hardware designer in the R&D group in 1984 before being appointed as a Professional Systems Programs Director in 2006 and Sector CEO and Vice President in 2014.

4- Mustafa KAVAL

Vice President, Defense System Technologies Business Sector CEO

He earned his BSc. in Mechanical Engineering from Middle East Technical University, and MSc. in Mechanical Engineering from the same university in 1989. He started working as an engineer in 1986 and was appointed as a Director in 2012. He was then appointed as Sector CEO and Vice President in 2014.

5- Oğuz ŞENER

Vice President, Radar and Electronic Warfare Systems Business Sector CEO

He graduated with a BSc. in Electrical Engineering from the Middle East Technical University, and an MSc. in Electronic Engineering from the same university in 1990. He started working as a co-op engineer in 1986. He worked as an Electronic Hardware Manager in Microwave System Technologies Group between 2000 and 2007. He was then appointed as Sector CEO and Vice President in 2014.



6- Baki ŞENSOY
Vice President, Microelectronics,
Guidance and Electro-Optic Business
Sector CEO

He graduated with a BSc. in Electrical Engineering from the Middle East Technical University, and a Masters degree in management from the same university. He started working as design engineer in the MGEO Group Division in 1994. He was appointed as the Strategy Management Director in 2008 and Sector CEO and Vice President in 2014.

7- İsmet ATALAR
Vice President, R&D and Technology
Management

He graduated with a BSc. and an MSc. in Electrical Engineering from the Middle East Technical University. He started his career in ASELSAN as an engineer in the R&D Department in 1980. He worked as a Director of Defense Systems Technologies Engineering between 2005 and 2014. Additionally, he also worked as supreme board director of ASELSAN Technology Supreme Board between 2004 and 2011. He was appointed as the R&D and Technology Management Vice President in 2014.

8- Dr. Hüseyin YAVUZ
Vice President, Human Resources
Management

He graduated with a BSc. in Electrical Engineering from the Middle East Technical University in 1985, and an MSc. in Electrical Engineering from the same university in 1987 and a PhD, also in Electrical Engineering, from the same university in 1993. He started working as a co-op engineer in 1984. He was appointed as the Weapon and Missile Systems Engineering Manager in the Defense Systems Technologies Group in 2005 and Human Resources Vice President in 2014.

9- Özcan KAHRAMANGİL
Vice President, Strategy and Business
Development

He graduated with a BSc. and master's degrees in Mechanical Engineering from the Middle East Technical University. He started working as a mechanical engineer in the Manufacture Preparations Department in 1984. He was appointed as the CEO of the Microelectronic, Guidance and Electro-Optic Systems Group and Vice President in 2006 and as Vice President responsible of Strategy and Business Development in 2014.

10- Hezarfen ORUÇ
Vice President, Support Services

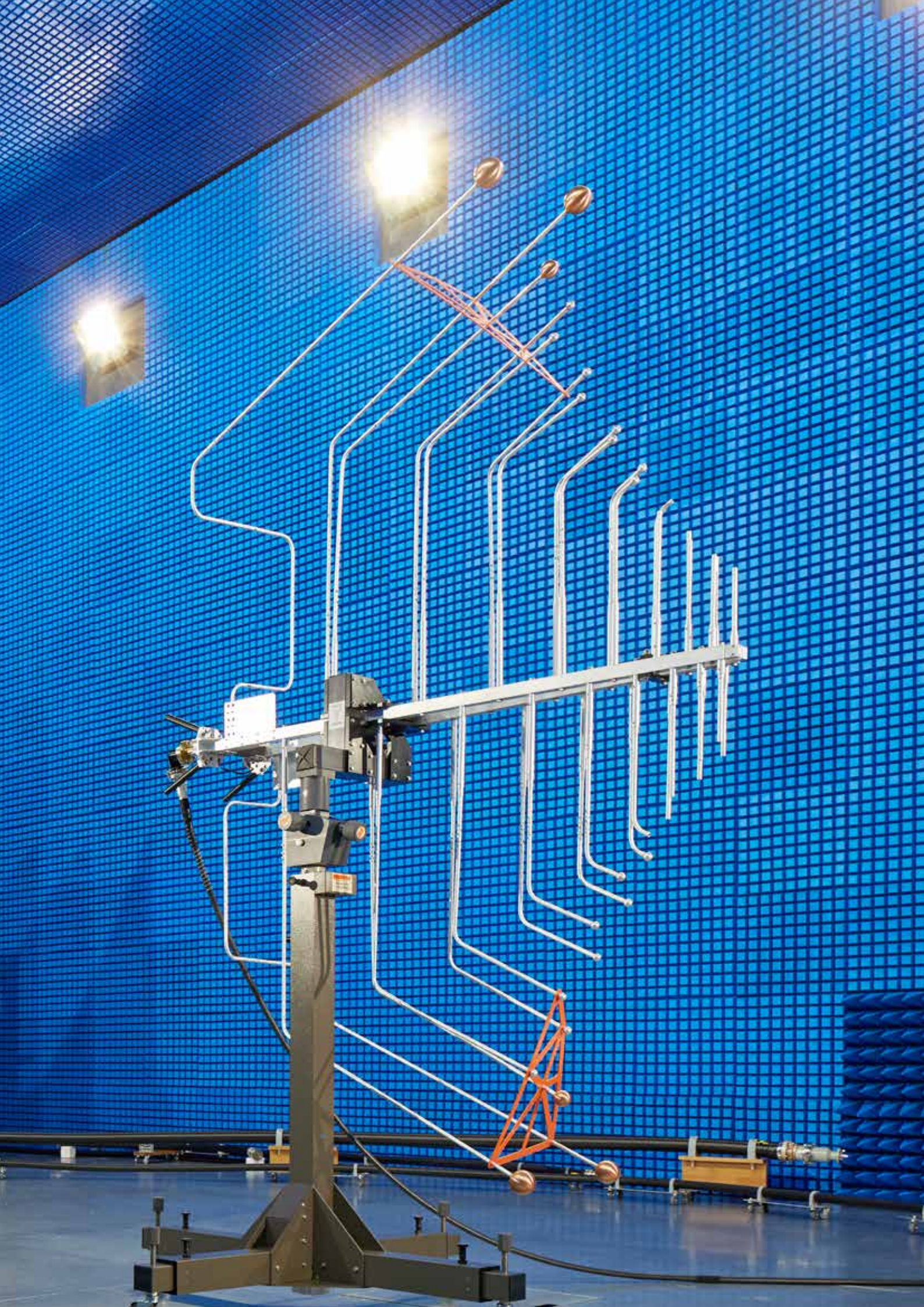
He graduated with a BSc. in Electric/ Electronic Engineering from the İstanbul Technical University in 1985. He started working as an electronic engineer in the Defense Systems Department in 1988. He was appointed as a Business Development Manager in 1996, an International Marketing Manager in 2011 and a Shared Services Vice President in 2014.

11- Dr. Levent AKKOYUNLU
Vice President, Financial Management

He graduated with a BSc. in Management from Hacettepe University in 1985, and a master's degree 1991 and PhD in Business Administration and Organization Policies from İstanbul University in 2008. He started working in 1986 and served in a number of different positions including Privatization Specialist, Head of the Finance Department, Assistant General Manager, General Secretary and as a Member of Board and as an auditor. He has been working as a Vice President in the Financial Management department of ASELSAN since 1 September 2014.

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Strategy and Business Development



ASELSAN has molded its strategies with the aim of boosting its competitiveness and globalization in parallel with its re-structuring in 2014.

With the newly opened Business Excellence Department, we aim to manage our activities orientated at maximizing our operating productivity, which is one of our priorities. Accordingly, we aim to unwaveringly improve and develop our operations by progressing in all processes, including management processes. We deem this aspect to be one of the indispensable conditions of being competitive.

We will develop our strategies on a region by region, country by country basis, specific to each product and company with the newly opened International Strategies Department.

We draw up our corporate strategies in line with ASELSAN's aims of globalization, to ensure it is competitive, productive, grows and adds value to its customers while building itself financially and strengthening its R&D activities and human resources. We will continue to measure our corporate performance to achieve the best.

We established our Risk Measurement and Analysis Department to identify the risks to our targets, and to manage them accordingly. As such, we expect to be a different company through the Risk Management System that shall be implemented.

The Mergers & Acquisitions Strategies Department, that is under the Mergers & Acquisitions Directorate, was established to support ASELSAN's growth, will develop strategies for this target. Efforts will be undertaken to ensure that the companies established or acquired to add



expected value to ASELSAN work in accordance with our defined strategies through the Affiliated Companies. These activities will be aimed at domestic companies as well as international companies in line with our target of globalization.

ASELSAN is preparing to celebrate its 40th year of operation. During this period, ASELSAN has brought the world's most advanced defense technologies to the Turkish Armed Forces and brought pride to the country in the field of advanced technology products, exporting them to a number of countries over five continents. However, we did not rest on our laurels with these achievements and went on to strengthen our organization, to make ASELSAN a world company that competes globally at the highest level. We are currently preparing to open new offices and manufacturing and R&D facilities globally, complementing the activities of our companies in Azerbaijan, Jordan, Kazakhstan, the UAE and the Republic of South Africa to expand our global presence. We are also preparing to ensure our international operations are more productive and beneficial. We plan to contemplate business models to collaborate with prominent defense and technology companies worldwide through the Business and Market Development Directorate. With this, we aim to operate in partnerships in international markets.

Accordingly, we aim to increase the value we add, and we also aim to increase the value we add for all customers, especially for the Turkish Armed Forces.

ASELSAN, which will be a company which exists in the competitive world market, competing among global companies, continues to grow and create the highest values domestically.

R&D and Technology



R&D and Technology Management being institutionalized WE LEAD TECHNOLOGY

ASELSAN carries out research activities in all of its operations, not only in the field of product development, but also in a wide range of areas such as materials, sensors, antennas and optics. These research activities are carried out both within ASELSAN and also through collaborations universities and R&D companies.

International R&D Collaborations

ASELSAN aims to further enhance its highly qualified research activities carried out domestically by collaborating with leading international research companies and institutions. In this context, joint research projects were started with IBM which has the world's biggest research centers.

Metal-Air batteries will be developed with one of the project mentioned above. These batteries will be able to store 5 times more energy compared to existing Li-ion batteries of the same weight. Another project involves the development of integrated circuits using IBM technology. The technological

infrastructure necessary for various radar applications will be developed by integrating ASELSAN technology into these circuits.

Corporate Level R&D and Technology Management Department Founded

The R&D and Technology Management Department was founded in 2014 to enhance technological capabilities, to establish and to develop necessary infrastructure and to carry out advance research activities that will contribute to our product's competitive advantage. This position aims to concentrate on the technology transfer, R&D collaborations, R&D incentives and supports, and the management of technology and innovation. It also aims to initiate research activities with national/international research centers which will provide a competitive advantage to Business Sectors in the long term. It also aims to utilize international intellect in line with ASELSAN's needs, by being part of a global R&D ecosystem.

Management of Technology and Innovation

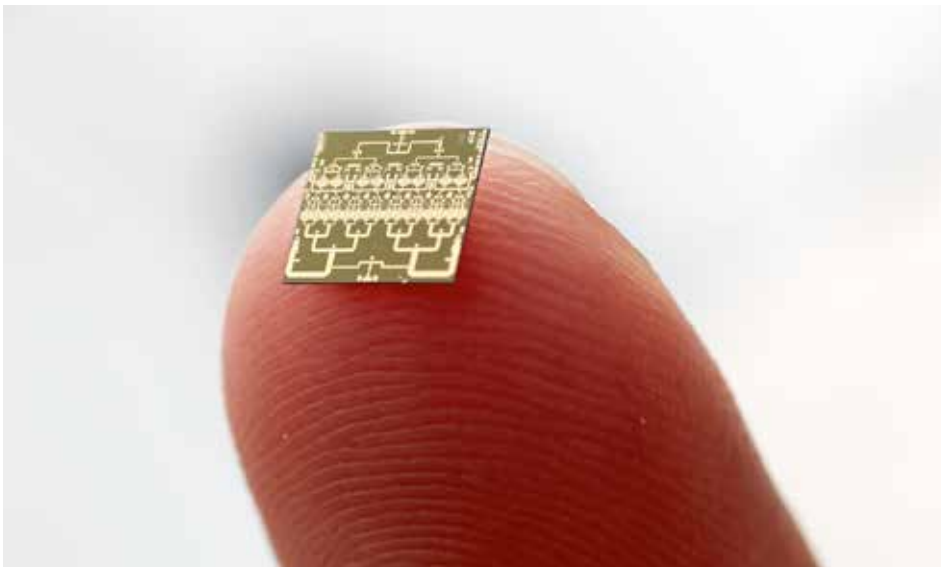
One of the most important pillars of ASELSAN's leading position is its technological capability. The studies are undertaken in order to manage and develop the technological capability and to form ASELSAN Technology Targets and the analysis of technologies that are to be localized, developed or abandoned. These studies are being extended to the development of technology forecasts and Technology Road Maps.

Permanent and efficient collaborations have been established with national/international research centers, institutions, industrial companies and universities to create an open innovation and to ensure its sustainability.

While managing the technology transfer processes gained over the years to outside of ASELSAN, on the other hand efforts are undertaken to adapt and commercialize military technologies for civilian use. The resources for the required



R&D and Technology



technologies are identified and their technology transfer is carried out with the coordination of the ASELSAN Business Sectors.

The relevant organizations of the EU, SSM, TÜBİTAK, TTGV and the Ministry of Science, Industry and Technology are all contacted and the processes are managed in order to maximize R&D incentives and funds for ASELSAN. In addition to existing incentives, new incentive programs are also followed. -Participations to the NATO joint research and technology programs are coordinated internally to gain mutual technology improvement.

This contributes to the formation of collaborations that will add value to our country from a technological standpoint, by coordinating participation with NATO joint research and technology programs.

R&D Activities

Some of the R&D activities ASELSAN carries out are as follows,

In the field of Communication and Information Technologies;

- Next generation communication systems infrastructure
- Identification of friend or foe systems
- New generation IP radio link device
- Digital tachograph
- New generation communication waveforms
- Ground and space satellite technologies
- Cyber security systems
- New generation antennas
- High speed military communication technology

In the field of Microelectronic and Electro-Optic Technologies;

- Infrared detector technologies
- Flexible screen technologies
- High power laser technologies
- Quantum cascade laser
- Optical material and coatings
- Wide screen avionic digital cockpit displays
- Inertial measurement units

In the field of Radar and Electronic Warfare;

- High speed and high performance microwave components
- High frequency receiver- transmitter circuits
- Military silent cooling technologies
- GaN transistors

- Radar stealth technologies
- High power microwave
- RF resonator
- TWTA
- Radom technologies
- IED (Improvised Explosive Device) detection systems
- Active imaging systems at millimeter and terahertz wavelengths
- 3-D security radar

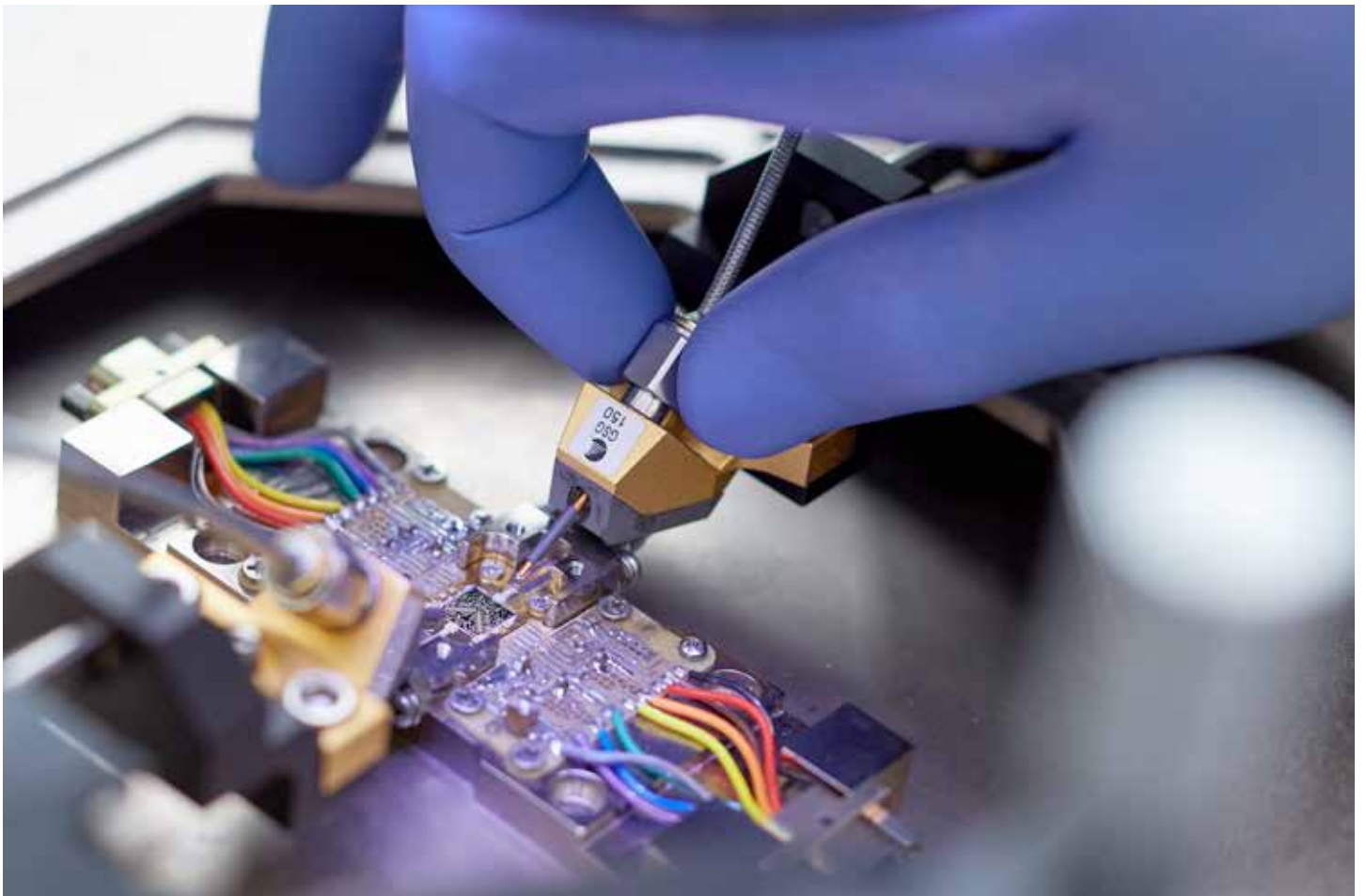
In the field of Defense and System Technologies;

- Smart air defense ammunitions
- Electronic systems for MBTs
- Effectiveness analyses of air and missile defense
- Underwater acoustic technologies
- Information fusion algorithms

- Threat evaluation and weapon allocation algorithms
- Servo drivers
- Mission computers
- Automatic feeding mechanisms for beltless ammunition

In the field of Transport and Energy Systems Technologies;

- High efficiency/high power inverters/ converters
- Super capacitor based energy regeneration systems
- GaN based power switching component



Highlights in 2014

**ASELSAN BİLKENT
Micro Nano
Technologies
Industry and
Trading Plc.
(AB MICRO NANO)**



The AB Micro Nano company, established by ASELSAN and BILKENT University, will manufacture gallium nitride transistor and integrated circuits.

The foundations of the manufacturing facility, named as ASELSAN BİLKENT Micro Nano Technologies Industry and Trading, were first dug in 2014. This facility will principally manufacture gallium nitride transistors and integrated circuits.

The facility, which is to be built in integration with the Nanotechnology Research Center (NANOTAM) in BILKENT Cyberpark Technocity zone, aims to start manufacturing within two years.

The developmental phase of the project has been completed through the programs carried out by NANOTAM and DIU, the National Defense Ministry, TÜBİTAK and the Ministry of Development.

The facility will serve to meet needs in the areas of the High Speed Train (HST), renewable energy, electric cars and 4G mobile phone systems, as well as radar applications.

The AB Micro Nano company, established in a joint investment of TL 18 million between ASELSAN and BİLKENT University, also represents an exemplary business model in terms of university-industry collaboration.



Collaboration contracts signed with AIRBUS and ROLLS-ROYCE

ASELSAN and Rolls-Royce signed a Memorandum of Understanding (MoU) to explore potential collaboration opportunities in the field of engine control systems. Dr. Hasan Canpolat, the Chairman of the Board, signed the MoU on behalf of ASELSAN. He stated their belief that synergy to be generated from this collaboration and the solutions would benefit both Turkey and global markets.

ASELSAN and the Airbus Group signed a framework agreement as a first step to collaborate in the fields of civilian and military avionic systems, satellite communication systems, electro-optic and laser systems and secured wireless communication. The two companies have joined forces by signing the agreement. In doing so, they aim to strengthen their positions as leaders among avionic and aeronautics manufacturers in order to access new markets and gain a significant competitive advantage.

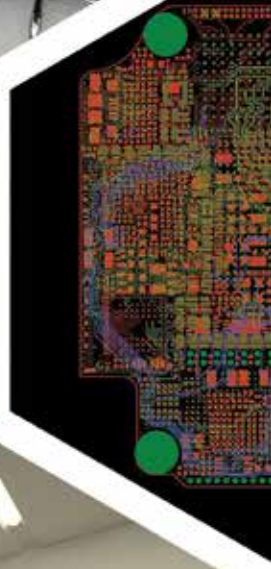
ASELSAN Chairman of the Board, Dr. Hasan Canpolat, stated that the collaboration with Airbus Group would allow ASELSAN further access to global markets in addition to its leadership role in the Turkish electronic industry. Dr. Canpolat added his belief that synergy would be generated from long term collaboration, bringing about new solutions and would play a part in the global success of both companies.

A coordination committee was set up following the signing of the MoU, and workgroups representing both sides were set up.

ASELSAN signed collaboration contracts with two global giants in ILA, the International Berlin Space and Aviation Show 2014, in which Turkey is a partner country. The event was held on 20 May 2014. The Undersecretary to the Defense Industry, Prof. Dr. İsmail Demir, also participated in the signing ceremony.



Establishment of ASELSAN Research Center...



ASELSAN Research Center has been established in 2014 to conduct applied research activities

In line with ASELSAN's goal of becoming a world scale company, ASELSAN Research Center has been established in Ankara in a bid to strengthen its leading and competitive position in its fields of operation and to advance it further. It will also support ASELSAN's goal of strengthening its research functions and will ensure that it is part of a larger R&D ecosystem. The main goal of ASELSAN Research Center is to develop prominent new generation technologies through unique research activities that can compete in today's fiercely competitive environment - an imperative condition for gaining a top place at an international level.

ASELSAN Research Center will enhance the competitive advantage of ASELSAN's operation areas

ASELSAN's Research Center will carry out research activities for the middle and long term technological roadmaps of ASELSAN Business Sectors. The technological advancement achieved through the transfer of technological knowledge that has been accumulated and developed in the ASELSAN Research Center will be passed onto the ASELSAN Business Sectors. Therefore, ASELSAN's competition power in global markets will be enhanced. Some of the world's leading companies which allocate high volumes of resources to R&D are known to be technologically more competitive and stronger as a result of their corporate research centers.

ASELSAN Research Center will develop effective collaborative relations with universities and research centers

The link between the development activities carried out in ASELSAN's engineering departments and the basic research activities conducted by the universities will be strengthened due to the applied research activities conducted in ASELSAN Research Center.

Joint research programs will be carried out with international universities, some of the world's leading R&D companies and other research centers. For areas of research which are included in ASELSAN's technology objectives, the academic side of the research activities carried out in ASELSAN Research Center will be strengthened through the participation in specialized master's degree programs, doctorates and post-doctorate research programs in world class universities which are specialized in the relevant fields.



ASELSAN Research Center will create new operation areas for ASELSAN

The ASELSAN Research Center will also conduct applied research activities related to the technologies not currently in the existing product family and operational areas, but which are forecasted to see strong demand in the future, in addition to research activities set out in the medium and long term technological road maps drawn up by the ASELSAN Business Sectors. Original technological gains, patents, academic publications and other outputs produced by the research activities will be transferred to the ASELSAN Business Sectors. Efforts will be taken to ensure that these outputs are converted into products and are commercialized. Hence, new business opportunities will be created for ASELSAN, ensuring that ASELSAN enters those markets related to these original products rapidly and strongly.

ASELSAN Research Center will enhance integration with the global R&D network

International research centers affiliated with the ASELSAN Research Center in their operations are planned to be set up in the coming years, to allow ASELSAN to take part in internationally developed research ecosystems where advanced technologies come to life. Worldwide developments and activities in science and technology and companies

and institutions that operate in these fields will be followed effectively through the international research centers. In particular, joint research activities will be carried out with Turkish scientists who are prominent in their fields in the USA and Europe. Our research resources, technological capacities and infrastructure will be enriched through effective collaboration to be carried out with world class universities and leading technology companies through joint research programs.

ASELSAN Research Center will be a prominent global center of science and technology

An innovative and cooperative research environment, where researchers, postgraduate students and scientists are able work together, will be established in order to create an atmosphere that is conducive to promote creativity in the ASELSAN Research Center. Research activities will be carried out by academics and individuals specialized in their fields. The ASELSAN Research Center will become a center of research excellence in the technological areas that it determines with the creative technologies to be generated, new concepts, patents and academic publications. Thus, ASELSAN Research Center will be a prominent global center of science and technology for the world's most competent scientists and researchers. This will allow ASELSAN to develop original, innovative and competitive technologies.

Transportation, Security, Energy and Automation Systems Business Sector (UGES) established as ASELSAN's fifth Business Sector...



ASELSAN aims to utilize the advanced technological knowledge it has accumulated and developed in the defense industry in the 40 years since its foundation in the fields of Transport, Security, Energy and Automation, which are our country's other priorities for strategic technology. With this target, the Transportation, Security, Energy and Automation Systems (UGES) Business Sector started its operations on 1 September 2014.

The UGES Business Sector was structured in four operational areas in line with ASELSAN's strategic targets in the fields of transport, security, energy and automation. The UGES Business Sector has focused the research and development activities especially in areas newly entered, and it aims to strengthen its studies by also creating a R&D Center. The required official actions have been completed in a short time and ASELSAN's 5th R&D Center, "ASELSAN UGES R&D Center" was established on 1 December 2014.

Within the scope of transportation, security, energy and automation; UGES Business Sector develops and produces technology, hardware, software, devices and systems for the Rail Vehicle Systems, Electric and Hybrid Vehicle Systems, Rail Vehicles Signalization and Control Systems, Border Security Systems, Coastal Security Systems, Infrastructure Security Systems, Pipeline Security Systems, Power Transmission Lines Security Systems, Station and Base Security Systems, Public Security Systems (including Cyber Security), Security Technologies, Toll Collection Systems, Traffic Management Systems, Automation Systems, Renewable Energy Systems, Smart Grid Network Energy and Power Management Systems, and carries out domestic and overseas sales and after sales support activities.

R&D and technology development studies have been started for the Transport and Energy Systems, which is one of the new activity fields. The aim of these activities is to develop advancements which include the latest developments in these fields with the target of setting ourselves apart with the activities to be carried out to develop SIC switching element-based high-efficiency/ high power Density Power Converters, Super Capacitor-based energy recovery system development, GaN-Based Power Switching Element Development. Studies have been carried on to develop efficient, compact and light building blocks to create a difference.

Within the scope of the Research and Development activities made for critical subsystems of the transportation solutions; Development of Traction System for the light rail vehicles, Development of Train Control and Management System, Water-cooled High-power Battery Development for electric vehicles, Contactless Power Transfer Technologies Development activities have been initiated.

In addition, for the systems aiming the production, transmission, distribution and the use of energy in a safe, sustainable and efficient way, monitoring and recording of the low voltage distribution system data, development of appropriate software and measuring system for the examination of the impact of the distributed production units on the network studies have been initiated.

Establishment of ASELSAN Academy...

ASELSAN's Corporate Academy established in 2014

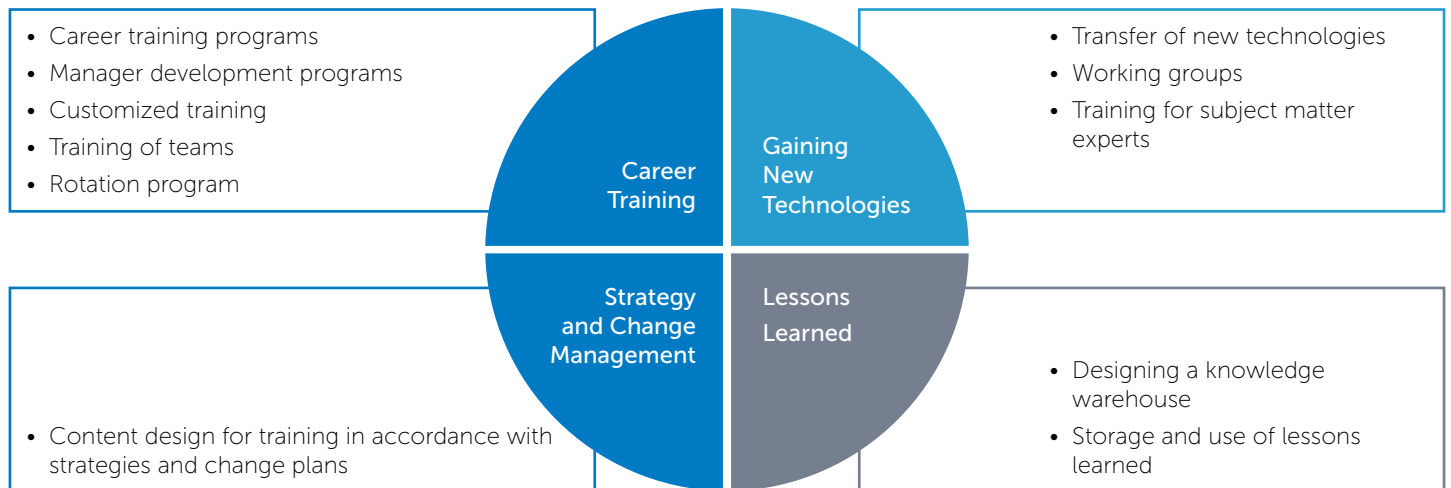
The main difference between corporate academies and traditional training programs is that they enable corporate goals to be dissipated to qualified human resources through the right means and methods and enable corporate strategies to be supported at the human resources level. The activities to be carried out in the ASELSAN Academy will support the identification of ASELSAN's human resources competency requirements and closing the competency gap at the right time with the right methods, and concentrating resources on strategies and goals in an optimal manner.

ASELSAN's strategic goals. The aim of the ASELSAN Academy in this respect is that all knowledge and practices orientated at new targets will be provided to individuals and teams.

Corporate knowledge will be preserved with ASELSAN Knowledge Warehouse

The ASELSAN Knowledge Warehouse, to be set up within the ASELSAN Academy, will ensure the preservation of corporate knowledge, synergy generation within Business Sectors and ASELSAN, prevention of recurring knowledge creation costs and the speeding up of the design, development and manufacturing cycle.

academies contribute considerably to their corporate performance, enabling effective management of high quality human resources with highest return on investment. The activities to be carried out at the ASELSAN Academy are expected to bring significant progress and growth to our Company, which has some of Turkey's most qualified human resources. These activities will also enable ASELSAN to be a company who leads technology at an international scale and become first mover of its proprietary technology. ASELSAN human resources and knowledge accumulation will be developed effectively and directed the activities that will be carried out in the



The Academy is not a training pool; rather it is the driving force behind ASELSAN's corporate future and business success.

The ASELSAN Academy aims to support corporate goals and strategies through the development of ASELSAN operations, individuals and teams in an integrated manner as a corporate by facilitating individual and corporate learning, increasing the level of knowledge/ wisdom and create corporate knowledge warehouse.

ASELSAN Academy to align ASELSAN's learning and development requirements with its strategies

The ASELSAN Academy will work with ASELSAN Business Sectors as business partners. It will align learning and development with corporate strategies by bridging learning objectives with

Learning infrastructure to be improved by ASELSAN Academy

The ASELSAN Academy will support traditional classroom based training with other methods such as distance learning and e-learning. The academy will ensure that the training program's effectiveness regarding business results is measured appropriately and effectively reported. In this context, the required IT infrastructure will be installed, which will be integrated with human resources practices.

Therefore, the impact of the training programs on job performance and the training requirements of the personnel will be clear.

ASELSAN Academy will contribute measurably to the corporate performance

Companies which have set up their own academies tend to find that these

ASELSAN Academy. New technologies, business opportunities, international recognition and growth potential will be passed on to new generations.

ASELSAN Academy to coordinate long term human resource development program

With the intention of contributing to ASELSAN's human resources in the long term, scholarship and internship programs defined within the scope of the long term human resource development program were initiated to encourage national and international undergraduate and post-graduate education and post-doctorate research, which will be coordinated by the ASELSAN Academy.

Highlights in 2014



1



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4

1- Necmettin Baykul transferred his position of the Chairman of BOD that he had been holding for two years to Board Member, Dr. Hasan Canpolat, in 2014. Dr. Hasan Canpolat was appointed as the Chairman of the Board of ASELSAN, and Dr. Murat Üçüncü was appointed as the Vice Chairman, both of whom have also been appointed as Managing Members. Dr. Hasan Canpolat, who currently serves as a consultant to the Minister of National Defense, was appointed as a member of the board of ASELSAN in 2013.

2- ASELSAN General Manager Cengiz Ergeneman retired after 36 years of service and handed the baton to Dr. Faik Eken. A ceremony was held for Mr. Ergeneman in ASELSAN. Dr. Faik Eken was the Head of the Communication and Information Technologies Group and Vice CEO since 2006.

3- A new subsidiary of ASELSAN was established in Sivas. The foundation of ASELSAN Precision Optics Research and Manufacturing Facility was laid with a ceremony held with the participation as the Minister of National Defense, İsmet Yılmaz. ASELSAN Precision Optics Sanayi ve Ticaret A.Ş. was founded in a 50%-50% partnership between ASELSAN and Sivas Optic Materials Sanayi ve Ticaret A.Ş. It will operate in the Technocity facility in Cumhuriyet University.

4- ASELSAN is rising in giants' league. ASELSAN rose to 67th place on the list, from 74th place last year. ASELSAN's defense turnover reached USD 1,001.4 million in 2013 increasing by 16.1%. ASELSAN earned 97.1% of its turnover from defense industry operations.



5- ASELSAN signs contract for Blackhawk helicopters. In accordance with the contract signed with Sikorsky, the ASELSAN Integrated Modular Avionic System (IMAS) will be utilized with 109 helicopters which Turkey plans to buy. IMAS will also be used in at least 164 helicopters that are to be sold to third parties by Sikorsky.

6- ASELSAN to develop MPBR. ASELSAN and UDI signed a TL 200 million contract for the Multipurpose Phase Based Radar Project Concept Display Phase (MPBR Phase-1 Project).

7- T-129 ATAK Helicopter delivered to Land Forces Command. The T-129 ATAK attack and tactic surveillance helicopter, whose avionic systems were developed by ASELSAN indigenously in Turkey was delivered to the Land Forces Command with a ceremony.

8- A shield for Our Borders. The last batch of the KALKAN Radars manufactured in accordance with the "Contract of Air Defense Early Warning Radar required by the Land Forces Command" was signed with the Ministry of National Defense. The KALKAN radars and ASELSAN's product of National MOD5 IFF Inquisitive Devices that are integrated into the radar were delivered to the Turkish Armed Forces as a result of the acceptance tests carried out.

Awards and Achievement in 2014

"Innovative Product Award" with its Mortar Detection Radar



ASELSAN won the "Innovative Product Award" with its "Mortar Detection Radar" in the Turkish Electronic Industrials Association (TEIA) Innovation Creativity Awards in Large Company category.

28 December 2014



ASELSAN was elected "Exporter of the Year" in "the Export Stars Incentive Awards" competition where Turkey's leading exporter companies are awarded.

ASELSAN became "The Exporter of the Year" in "Export's Stars Incentive Awards" competition where Turkey's leading exporter companies are awarded. ASELSAN Board President Hasan CANPOLAT received the award from Deputy Prime Minister Ali BABACAN.

22 April 2014

ASELSAN won the Technology Development Foundation of Turkey (TDFT) 11th Technology Award in honor of its "AVCI Helmet Integrated Control System".

The AVCI Helmet Integrated Control System is a viewfinder reflective system developed to increase helicopter pilots' situational awareness with its functions of night vision, video, symbolic display, sensitive head tracking and task effectiveness. The AVCI Helmet Integrated Control System's performance, land, flight and shooting tests were conducted successfully on the T-129 ATAK helicopter. Mass production of the AVCI Helmet continues.

21 May 2014





ASELSAN received the "Supplier Excellence Award" in honor of its performance in 2013 from Raytheon on 4 June 2014 in an event held annually by Raytheon in the USA.

ASELSAN handed "RAYTHEON Supplier Excellence Award"

The "Antenna Mast Group" (AMG) system, which is one of the main components of the PATRIOT long-range air and missile defense system and whose design was renewed, is required by the United Arab Emirates (UAE). ASELSAN completed the project undertaken in conjunction with RAYTHEON, which one of the world's leading defense contractors, as the final product integrator. The systems entered the UAE's military forces inventory and are being used.

ASELSAN was awarded the "Supplier Excellence Award" by Raytheon in honor of its successful operations in the areas of project management, quality assurance, engineering, production and supply within the scope of the AMG project. The award was received on 4 June 2014 in an event held in the USA.



The Turkey Innovation Week was organized by the Turkey Exporters Assembly between 4-6 December 2014 in the İstanbul Convention Center.

ASELSAN was deemed worthy of the "Leadership in Design Development Award" in the awards ceremony held in the İstanbul Convention Center in the Harbiye Auditorium. The award was presented by our Prime Minister, Ahmet DAVUTOĞLU and received by our member of board, Mr. Celalettin DÖVER on behalf of ASELSAN.



The 3rd Private Sector R&D Centers Summit was organized by the Ministry of Science, Industry and Technology in the ATO Congressium held on 10-11 December 2014. ASELSAN was deemed worthy of the "1st General Ranking and 1st Defense Industry Award" in the awards ceremony held in the ATO Congressium. The award was presented by our Minister for Science, Industry and Technology, Mr. Fikri IŞIK, and received by the General Manager of ASELSAN, Dr. Faik EKEN.



ASELSAN received the awarded the award for "the Best Decoration on 100 m²" in the IDEAS 2014 Convention held in Pakistan.

1-4 December 2014

Communication and Information Technologies Business Sector





Communication and Information Technologies Business Sector



MILITARY COMMUNICATION SYSTEMS

Tactical Field Communication Systems

TASMUS, Tactical Area Communications System, is the key communication infrastructure that facilitates realizing the network enabled capability concept in the tactical field. TASMUS enables obtaining a common picture of the battlefield in near-real time and sharing data among battlefield systems.

TASMUS was added to the inventory of the Turkish Armed Forces in early 2000s. Since then it has been used regularly by Turkish Armed Forces and as usual, the system has been deployed in several military exercises again in 2014.

In 2014, ASELSAN has received orders for TASMUS systems from Bangladesh and Macedonia. The system to be used in Bangladesh has already been delivered, while production for the system to be used in Macedonia is still ongoing. Furthermore, TASMUS system has been presented and field tested in Saudi Arabia and Azerbaijan in 2014.

In addition, efforts got underway for the development of TASMUS-II, aimed at making use of the experience and knowledge gained from previous versions of TASMUS and providing the Turkish Armed Forces with a modern communication infrastructure before 2020s. In this context, as a first step, a state-of-the-art Tactical Ethernet Radiolink Device has been designed and preliminary field tests have been successfully carried out.

MILITARY RADIO SYSTEMS

Software Defined VHF/UHF Radio Family

Mass production of Ground Platform Handheld/Portable/Vehicle Radio Systems has been ongoing. Contract activities for extending the volume of mass production and procurement of these systems by the TAF were initiated.

The export of these radio systems and their local production program under license in different foreign countries continue.

Design and contract activities started within the scope of Naval Platform V/UHF Radio Systems procurement by the Turkish Armed Forces.

Design activities for the Airborne V/UHF Radio Systems continue.

Software Defined HF Radio Family

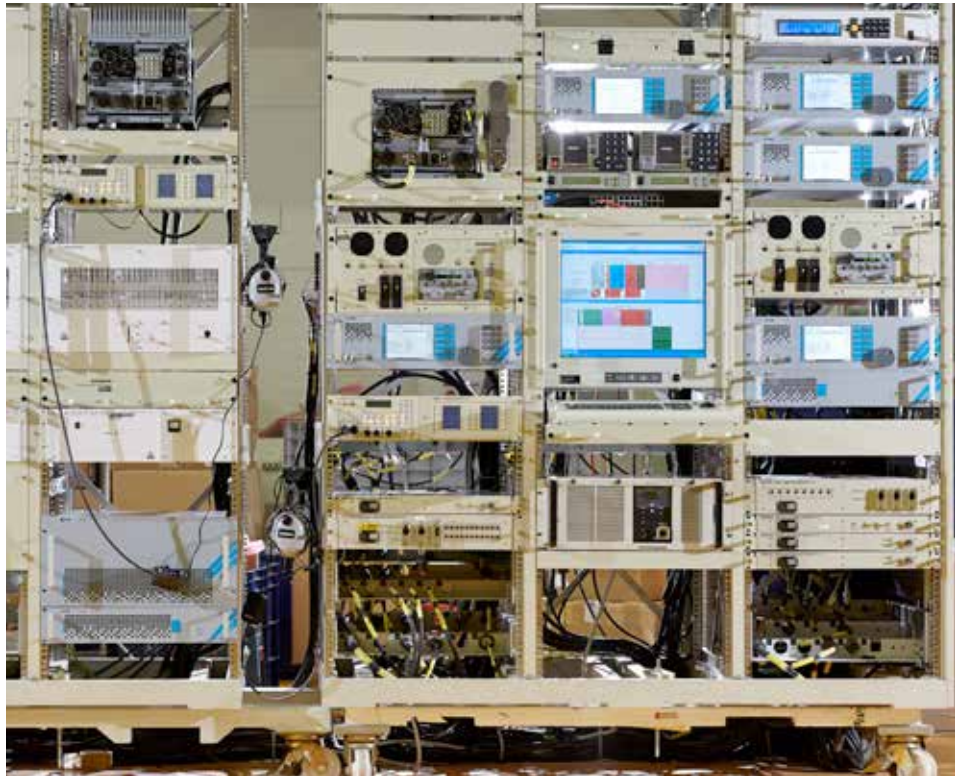
Ground Platform HF Radio Systems were delivered to the Turkish Armed Forces. Activities for the contract regarding mass production were initiated. These radio systems were also exported to different countries in 2014.

Naval Platform HF Radio Systems: The delivery of 150W, 400W and 1000W HF Naval Configurations and VLF/HF Receivers to the Navy and the Coast Guard Command was completed. Work was initiated for the contract regarding mass production.

Mass production and delivery activities of the Airborne Platform HF Radios continue.

Naval Communication Systems

The Company continued design, materials procurement, production and testing activities for the New Type Patrol Boat, Underwater Rescue Mother Ship (MOSHIP), Rescue and Towing Ship (RATHIP), the Turkmenistan SERHED Boat, Amphibious Ship (LST) and New Type Submarine Integrated Communication Systems. The Company completed acceptance tests for Integrated Communication Systems of the New Type Patrol Boat, Internal Communication Systems of SERHED Boat, Integrated Warfare Systems of MOSHIP and RATHIP. The Company signed the contract for the MİLGEM 3-4 Project. Negotiations regarding business development and the contract for the Landing Platform Dock (LPD), the Logistics Support Ship (LDG) and the New Type SAT Vessel (YSAT) continued. In addition, ASELSAN tabled offers for the PREVEZE Class Submarines Integrated Communication Systems and for various export projects.



Communication and Information Technologies Business Sector



PUBLIC SAFETY COMMUNICATION SYSTEMS

4th Generation (4G/LTE) Communication System Development (ULAK) Project

As a part of 4th Generation (4G/LTE) Communication System Development (ULAK) Project, ASELSAN conducts studies for the development of Commercial and Public Safety LTE-Advanced Macro-Cell Base Stations, LTE-Advanced Mobile Terminal Security Software and the LTE-Advanced Based Military Communication System. Additionally, activities for branding-commercialization and product launch are also carried out.

The ULAK Project brings the opportunity and ability to develop LTE-Advanced technology defined products and services within the country. Owing to the studies conducted for the mass production of 4th Generation Communication Systems, products and services will be made available for mobile operators, enabling end-users' need for high-speed, uninterrupted and secure communications to be met.

The abilities achieved from the ULAK Project are expected to set the stage for the forthcoming 5th and next generation wireless communication systems and enable the Company to establish a good position in global context, creating export items with added value and increasing our country's competitive strength both regionally and globally.

At ASELSAN Macunköy Facility, ULAK's first product presentation was made to Lütfi Elvan, the Minister of Transport Maritime Affairs and Communications and his accompanying delegation, involving authentication of user equipments to the Base Station, transmission of a HD Video and ambient images in a wireless environment using 20 MHz bandwidth.

Gendarmerie Integrated Communication and Intelligence Systems (JEMUS)

ASELSAN continues the nationwide installation of the Gendarmerie Integrated Communication and Intelligence Systems (JEMUS). Installation of the radio systems began at 2005 and has already been completed in 47 cities. ASELSAN has signed contracts covering 18 cities in the Erzurum and Giresun-Tokat regions.

The system has central databases and query applications related to crime, equipment loss, driving licenses, license plates and gun licenses. The 156 Gendarmerie Emergency Help number which is used in Operational Centers under Provincial Gendarmerie Command is effectively used with several additional applications such as Messaging, Vehicle Tracking and Geographical Information System.

ATLAS Radios with Digital Map Function

4900 ATLAS Radios are higher segment radios used for critical missions. They are equipped with several features such as operating system, encryption, multi system and multi-mode, VHF/UHF dual band, internal GPS and integrated map and data applications for use in public safety. The 4900 Atlas Radio Family is designed to meet the requirements of teams who intensively need data and location services among users who use public security communication systems. ASELSAN completed the design of the Atlas Handheld Radio - the first product of this family - in 2012, the Atlas Vehicle Radio in 2013 and the Desktop Radio with the Repeater Feature in 2014. A Linux-based open platform is used in the Transceiver Units, while an Android-based open platform, which provides

various applications to users, is available on a tablet control unit. This architecture is appropriate for new applications and services that can be developed in the future to cover various different scenarios. The Atlas Radio Family covers a wide range of usage scenarios and enables users to see their own location and the locations of the other radios in their teams. It also enables the use of navigation while heading to a crime scene, allows crime scene photographs and encrypted reports to be sent over the radio network, provides information security and enables authorized persons to enquire about suspicious individuals and vehicles. The Atlas Radio Family is composed of advanced devices which provide coordination in emergency cases.



Communication and Information Technologies Business Sector



Encrypted Digital Radio System

A contract has been signed with the Turkish National Police in 2013 to replace the analog communication systems with Digital Mobile Radio (DMR) systems. In addition to the delivery of terminals in 2014, the installation of wide area coverage systems in 15 cities has been completed. The installation of trunk infrastructure continues.

The DMR communication solution developed by ASELSAN provides the following advantages: a four-fold capacity increase in current licensed channels (25 KHz), high voice quality, messaging,

integrated GPS and data applications, vehicle tracking and voice recording features. ASELSAN develops applications meeting the required standards and supporting additional features in line with the requirements of users in DMR systems, installed by ASELSAN in "Local" and "Wide Area" modes.

Export of APCO and Encrypted Digital Radio Systems

In what has been an ongoing activity since the end of 2006, ASELSAN continued to export APCO Digital Radios to the United States of America in 2014. ASELSAN expects an increase in its international sales in the upcoming years through its efforts to develop new products. The Pakistani Armed Forces have been effectively using ASELSAN's Encrypted Digital Radio Systems since 2007. The delivery of radios for the use by different units took place in 2014. Within the scope of the technology transfer agreement signed with the Pakistan National Radio Telecommunications Company (NRTC) in December 2011 for the production of Digital Handheld and Vehicle Radios - designed by ASELSAN - in Pakistan, the Company increased its deliveries of locally produced radios in 2014.

In 2014, a contract was signed between the Tunisian Ministry of Defense and ASELSAN for the procurement of Encrypted Digital Radio Systems. In accordance with the contract, customer training was completed and ASELSAN delivered the first lot at the end of 2014. Delivery of the systems will continue in 2015. Activities for the distribution of ASELSAN's communication solutions in Saudi Arabia as well as North Africa are ongoing.

INFORMATION TECHNOLOGIES AND CYBER SECURITY

Computer Aided Dispatch and Management System for 112 Emergency Assistance

A contract covering 13 cities was signed with the Ministry of the Interior. Within the scope of the project, Emergency Assistance infrastructure will be placed in operation in Ankara, Aydın, Düzce, Hatay, Kahramanmaraş, Kütahya, Kocaeli, Manisa, Muğla, Sivas, Balıkesir, Yalova and Yozgat. Software analysis and infrastructure and implementation work was conducted in these cities in 2014.



KOYDES Investment Surveillance System Project

The KOYDES Investment Surveillance System Project was signed with the General Directorate of Local Authorities of the Ministry of the Interior on 23 December 2014.

The project envisages enhancing service efficiency and quality in work conducted by the General Directorate of Local Authorities, and the design and installation of a centralized and corporate Geographical Information System (CBS) in relation to providing fast and accurate decision support to managers. The new project is aimed at the integration of information which is obtained and will be provided within the scope of Special Provincial Administrations' local KOYDES installations under a centralized system, and servicing it through a standard interface.



Secure Satellite Telephone

Development activities for the Secure Satellite Telephone prototype continued. Prototypes were produced and tested in the field.

GUMES Secure Messaging System

GUMES is a secure messaging system which is composed of hardware and software enabling the encryption of confidential personal files on personal computers, preserving encrypted data safely, and distributing the data over insecure platforms or via electronic mail. The design of GUMES was completed and successfully tested.

Communication and Information Technologies Business Sector



Virtual Air Gap System

ASELSAN designed and produced the Virtual Air Gap System in order to resolve the significant problem of securely connecting computer networks of different security levels. ASELSAN maintains its effort to deploy its Virtual Air Gap System - which holds the Common Criteria approval at the EAL4+ level - to establish communications between the Government Agencies and public institutions. Within this context, necessary preparations were carried out for the vulnerability analysis and penetration tests which will be applied by TÜBİTAK BİLGEM Cyber Security Institute.

Mini IP Crypto Device

ASELSAN completed development activities of the Mini IP Crypto Device which supports New Generation mobile IP Crypto Technologies. Testing activities continue.

ASELSAN completed development activities for the export version of the Mini IP Crypto Device. The device was awarded with the "Azerbaijan National Security Certificate" and was approved to protect Azerbaijan Secret Information as a result of tests conducted by the Ministry of National Security of the Republic of Azerbaijan.

TEMPEST Products

Development activities of laptops and printers with TEMPEST characteristics were completed. TEMPEST tests were conducted by TÜBİTAK BİLGEM and were approved to have the NATO SDIP/27 level A compliance certificate.

SPACE TECHNOLOGIES

SATELLITE COMMUNICATION GROUND SYSTEMS

ASELSAN Satellite Communications Terminal Solutions

ASELSAN, offers wide range of own design terminals for different platforms and various frequency bands, in order to cover customer requirements.

Airborne, Shipborne and Vehicle On-The-Move Solutions provide secure and uninterrupted communication. Satellite Communication Terminals are designed as stabilized, compact, lightweight and compatible with military standards. Fast deployable Flyaway Satellite Communication Terminal, Manpack and Satcom On-The-Pause Terminals are also included in ASELSAN product range.

Satellite Communication Network Control Stations and Satellite Payload Ground Stations

Network Control Stations, designed and established by ASELSAN, enable remote control of satellite communications terminal, provide connection between terrestrial and satellite network, constitute network in order to communicate among terminals, manage terminals and frequency band selection, provide encryption and network acceleration services, fulfill channel requirement

management and enable interfaces for networks according to requirements and demands of different customer groups.

Fixed or and Mobile Network Control Station solutions are developed to meet the tactical requirements of various user groups.

TUMSIS X-Band Earth Section

The New Generation TAF X-Band Satellite Communication System (TUMSIS) Project covers the design, production, integration, infrastructure activities, installation to related platforms, confirmation, testing and acceptance activities of Main and Backup Satellite Communication Network Control Centers, Shipborne, Manpack, and Flyaway and Vehicular Satcom Terminals. The Requirement Analysis Phase was completed and the Preliminary Design Phase started on the Project.

ASELSAN completed the design work for the New Generation X-Band Manpack Terminal, which is an indigenous product of ASELSAN. The Company also completed the acceptance tests for related units.

Ku-Satellite Communication System

Ku Band Satellite Communication System Project's contract was signed with the Undersecretariat for Defense Industries. The Project includes Satellite Communication Control Centers, Satellite

Terminals and all necessary hardware and software units for a communication network that will provide users voice, fax, data and imagery.

New Type Submarine and Landing Ship Tank (LST)

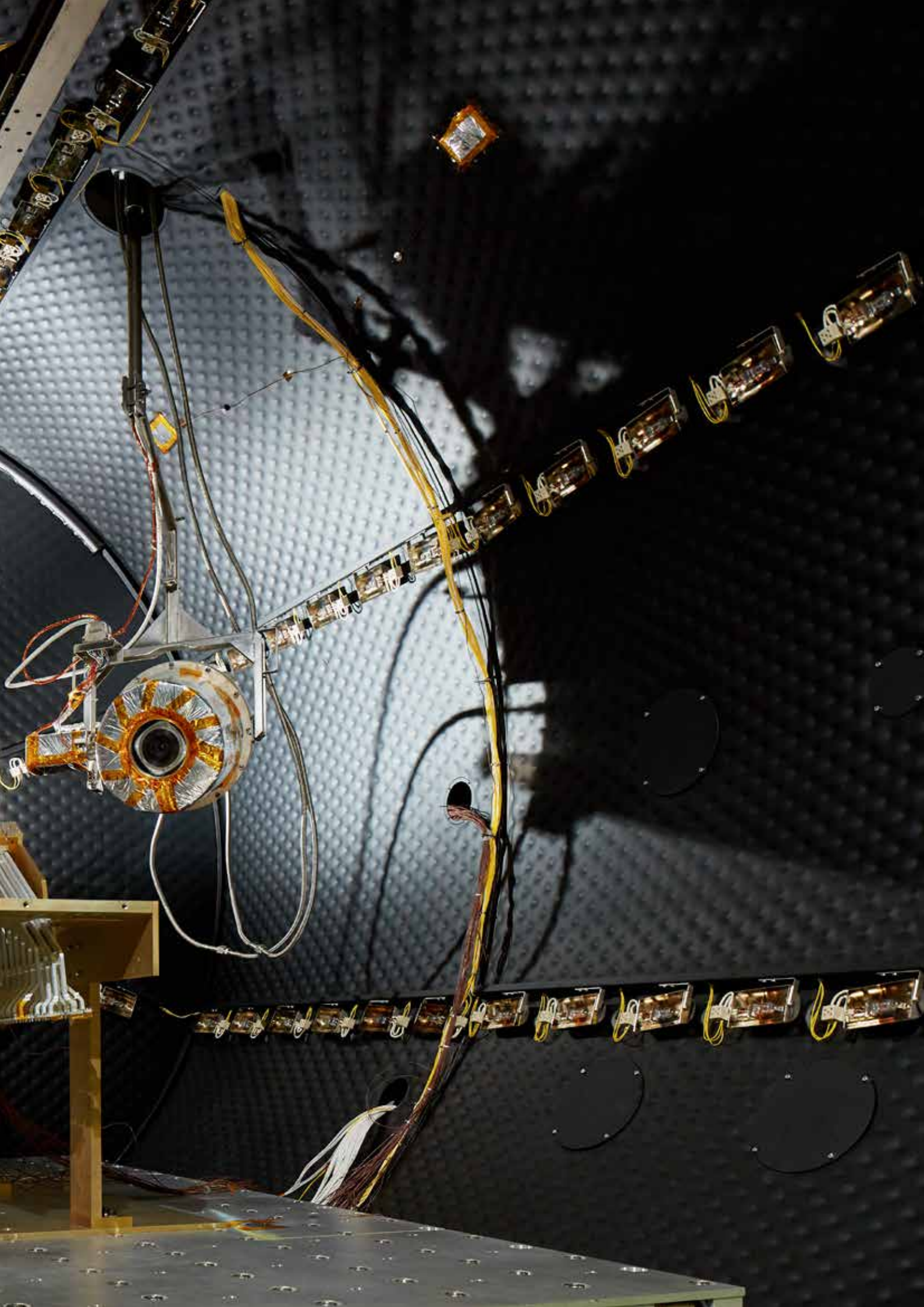
Design activities for X-Band Satellite Communication Terminals continued within the scope of the New Type Submarine and Landing Ship Tank (LST). As part of the X-Band Ship Satellite Communication Antenna System Project, design activities for an Antenna System which can be integrated with naval platforms such as patrol boats, corvettes and frigates continued.

GÖKTÜRK-1 Surveillance and Reconnaissance Satellite

As part of the GÖKTÜRK-1 Surveillance and Reconnaissance Satellite Project, ASELSAN is responsible for providing the S/X Band Antenna Systems for Fixed and Mobile Ground Stations, Image Processing and Exploitation and User Interface Software, as well as the Meteorology System. Direct participation activities for Electro-Optic Payload and Communication Subsystems of satellite platforms were conducted with Thales Alenia Space, which is the producer of the Satellite. In addition, critical design and qualification activities for the units were conducted as part of the Project.







Communication and Information Technologies Business Sector

SATELLITE PAYLOAD

ASELSAN comprises high technology investments and qualified personnel in the area of satellite payloads. A diverse set of projects in the areas of payloads, communications and control subsystems and equipments for telecommunications, reconnaissance/ surveillance and navigation satellites and near space platform systems are taken under the management of ASELSAN Inc. The overarching principles of these projects are conducting systems engineering, development, production and test activities using national resources in a unique fashion. Operations that aim to develop necessary infrastructure for aforementioned activities have been continued. Investments on two Thermal Vacuum Chambers, 2200x2500 mm and 1000x700 mm in diameter respectively, have been made with the utmost purpose of testing these unique payloads under space conditions.

TÜRKSAT-6A Indigenous Communication Satellite

ASELSAN signed a contract for the development and production of the TÜRKSAT-6A Indigenous Communication Satellite Project. ASELSAN is responsible for the development of Ku-Band and X-Band Satellite Communication Payloads in the TÜRKSAT-6A Satellite Program. Within this context, ASELSAN will conduct the following activities: system design of Payloads, integration of the Payload, functional and environmental tests and orbital tests (In-Orbit Test). Moreover, the following Ku-Band Payload equipment will be designed, produced and tested by ASELSAN:

- Receiver which includes Low Noise Amplifier (LNA), Frequency Down Converter (DOCON)
- Payload Interface Unit (PIU) which will provide communication between Payload Units and the Flight Computer
- INET which will provide channel separation
- ONET which will provide channel integration
- Antenna for the Turkey coverage area.

TUMSIS X-Band Payload

ASELSAN signed a contract for the New Generation X-Band Satellite Communication System (TUMSIS) Project. According to the contract, ASELSAN will develop an X-Band Satellite Transponder Payload for the first time.

X-Band Satellite Warfare Payload is a satellite subsystem which will be integrated on the satellite platform. It will be used to provide a satellite warfare and completion of warfare link. The X-Band Satellite Warfare Payload will amplify the signals coming from the ground, divide the signal into channels by filtering, down convert the frequency band and amplify the signal before sending it back to Earth. The following X-Band Payload equipment will be designed, produced and tested by ASELSAN:

- Frequency Down Converter (DOCON)
- X-Band DOCON-L which includes Channel Amplifier (CAMP)

The X-Band Payload is planned to be launched in the TÜRKSAT-6A satellite in 2019.





GÖKTÜRK-3 SAR Satellite

As part of the contract signed between TUSAŞ and ASELSAN, activities for the development of the GÖKTÜRK-3 SAR Satellite System are currently underway.

Within the scope of Preliminary Design Phase of GÖKTÜRK-3 SAR Satellite Development Project, the Mission Description Phase was completed and the System Requirements Phase was initiated.

EHF Operational Satellite Payload

The EHF On-board Satellite Payload provides service to two different coverage areas on the GEO communication satellite. It will provide IP communication of terminals located in each coverage area, with each other and with terminals that are located in different coverage areas. In the development of EHF Satellite Transmitter and Test Environment, the Turkish Armed Forces aim to meet the need for secure satellite communication at high frequencies. Related with this On-Board Processing EHF (Extremely High Frequency) Satellite Transponder and Test-bed Development Project which aims to meet secure satellite communication requirement at high frequencies of TAF and is a R&D Project, supported by the Scientific and Technological Research Council of Turkey (TÜBİTAK), ASELSAN successfully completed the system acceptance tests of the Engineering Model. All equipment/sub systems (Antenna, RF, Baseband Subsystem and the Power Conditioning Unit) of the EHF On-board Satellite Payload were indigenously developed.

Defense Systems Technologies Business Sector





Defense Systems Technologies Business Sector



NAVAL SYSTEM

ASELSAN is involved in various naval and civil shipbuilding projects including design, development and integration of naval combat or mission systems of underwater and surface platforms.

Naval Combat and Mission Systems

ASELSAN conducted activities for developing "Naval Combat and Mission Systems" and their integration into platforms. In this sphere, the VATOZ® system, which was developed for naval platforms, stands out as a distributed, modular structured system with scalable sensor and gun control, situational awareness, surveillance, reconnaissance and tactical mission control.

Battleships

Within the scope of the naval combat systems that are designed especially to improve the air defense, surface and underwater combat capabilities of TCG HEYBELIADA and TCG BÜYÜKADA, the Company developed, delivered and integrated the combat system comprising; integrated communication, satellite communication, navigation, electro-optics, laser warning, electronic warfare, radars, sonar, guided missile, naval gun control, remote control weapon and self-defense systems. The Company tested these systems by integrating them with platforms and the ships were delivered to the Turkish Navy.

A contract was signed with the Undersecretariat for Defense Industries regarding the procurement of MİLGEM 3&4's combat systems. In addition to these activities and the experience gained in developing and integrating the combat system, especially MİLGEM, the Company worked on combat systems for Turkish naval shipyards' platform offers to other countries such as for corvettes and patrol boats.

Coast Guard and Patrol Boats

ASELSAN completed the procurement and integration of combat system for TUZLA class patrol boats.

The Company completed the procurement and integration activities of weapon and electronic systems for the Search and Rescue Ship that was built for the Coastguard.

The Company developed the ASELSAN VATOZ® system within the scope of export sales of SERHET Ship Class Boats. ASELSAN conducted the procurement, integration and testing activities of the weapons and electronic systems for ships and integration activities of various guided missiles for the VATOZ® system.

Landing Ships

The Company delivered remote controlled 25 mm stabilized gun systems, navigation systems and communication systems for fast landing crafts (LCT). In addition, ASELSAN started efforts for the development/production of Amphibious Ships (LST) and procurement of Radar, Electro-Optics, Communication, Navigation, Electronic Warfare and Stabilized Weapon Systems.

As part of Landing Platform Dock (LPD) Projects, ASELSAN conducted contract design activities for combat system solutions which are composed of radar, electro-optic, communication, acoustic, navigation, electronic warfare, weapon, fire control, navigation equipment and self defense systems. The Company also conducted preliminary analyses such as computer aided coverage, interaction, radar cross-sectional area and deck top design activities.

Auxiliary Vessels

Within the scope of the Underwater Rescue Mother Ship (MOSHIP) and Rescue and Towing Ship (RATSHIP) Project, ASELSAN continued its efforts in the procurement and integration of the underwater acoustics systems, communication system and navigation systems, particularly in the area of sonar systems used in vessels. As part of the project, the Company completed its production activities for the navigation systems (gyro), communication systems and electro-optic (IR/LLTV) systems developed by ASELSAN.

In the Seismic Research Ship Project, ASELSAN completed its efforts for the procurement and production of Scientific Research equipment and systems and for the production of navigation systems (gyro) developed by ASELSAN. The Company started installation of these systems in vessels and continues integration efforts.

As part of Logistics Auxiliary Vessel (LDG) which will be constructed in the period, contract design activities were conducted for the combat system solution - which includes communication, navigation, weapon, fire control and navigation systems. The Company also conducted computer aided analyses.



Defense Systems Technologies Business Sector



Torpedo and Torpedo Countermeasure Systems

Within the scope of the "Development of Acoustic Jamming and Deception System for Submarines (DAKA)" project, ASELSAN has completed the development and production of Acoustic Decoys and Jammers that can be launched from AY, Preveze and GUR-class submarines. The DAKA project was successfully completed with installation and integration of Decision Support Systems in AY/PREVEZE/GUR-class submarines. ASELSAN has also maintained its efforts in order to sale export version of the DAKA system (ZARGANA).

ASELSAN has completed the production of the HIZIR Torpedo Countermeasure System for surface ships against torpedoes. HIZIR has been included in the configuration of the MILGEM 3&4 and Landing Platform Dock (LPD) ship programs.

ASELSAN has initiated the development of Anti-Torpedo-Torpedo System (TORK), the first prototype of which is currently being test in ASELSAN's test lake.

TORPEDO AND UNDERWATER ACTIVITIES

ASELSAN has also concentrated on the design of underwater acoustic systems by taking into account the activities and efforts of other local corporations and institutions.

Submarines and Sonar Systems

Within the scope of active and passive sonar systems, ASELSAN has completed the production of KULAC echo sounder system. The system has been integrated to Turkish Navy Ay-Class submarines and it is also included in the MILGEM 3rd and 4th ship configurations.

ASELSAN has began to develop active sonars for mine avoidance (MATESS) and underwater acoustic surveillance systems.

AIR AND MISSILE DEFENSE SYSTEMS

Air Defense Gun Systems

ASELSAN has developed a new generation air defense gun system which utilizes 35 mm Air Burst Ammunition -which is also developed by ASELSAN- to provide high effectiveness against the air threats of today's battlefield.

35 mm Self-Propelled Air Defense Gun Systems - KORKUT

KORKUT System shall operate in platoons which are composed of 3 Gun Systems and 1 Command Post. Each KORKUT platoon can operate in coordination with Air Defense Early Warning and Command Control System (HERIKKS) as well as

fulfilling target detection, tracking and interception functions autonomously. KORKUT System -together with the ability to fire 35 mm Air Burst Ammunition- provides an effective air defense solution against modern air threats such as cruise missiles, air-to-ground missiles and UAVs.

Fire Control System (FCS)

Fire Control System will be responsible for the command and fire control of the Modernized 35 mm Towed Air Defense Guns and Low Altitude Missile Launching System (HISAR-A). FCS shall operate in coordination with HERIKKS. FCS also has all the necessary sensor, command control and fire control capabilities to perform target detection, tracking, identification and precise cueing of the

weapons. FCS platoon with towed guns and missile launcher forms a layered air defense structure.

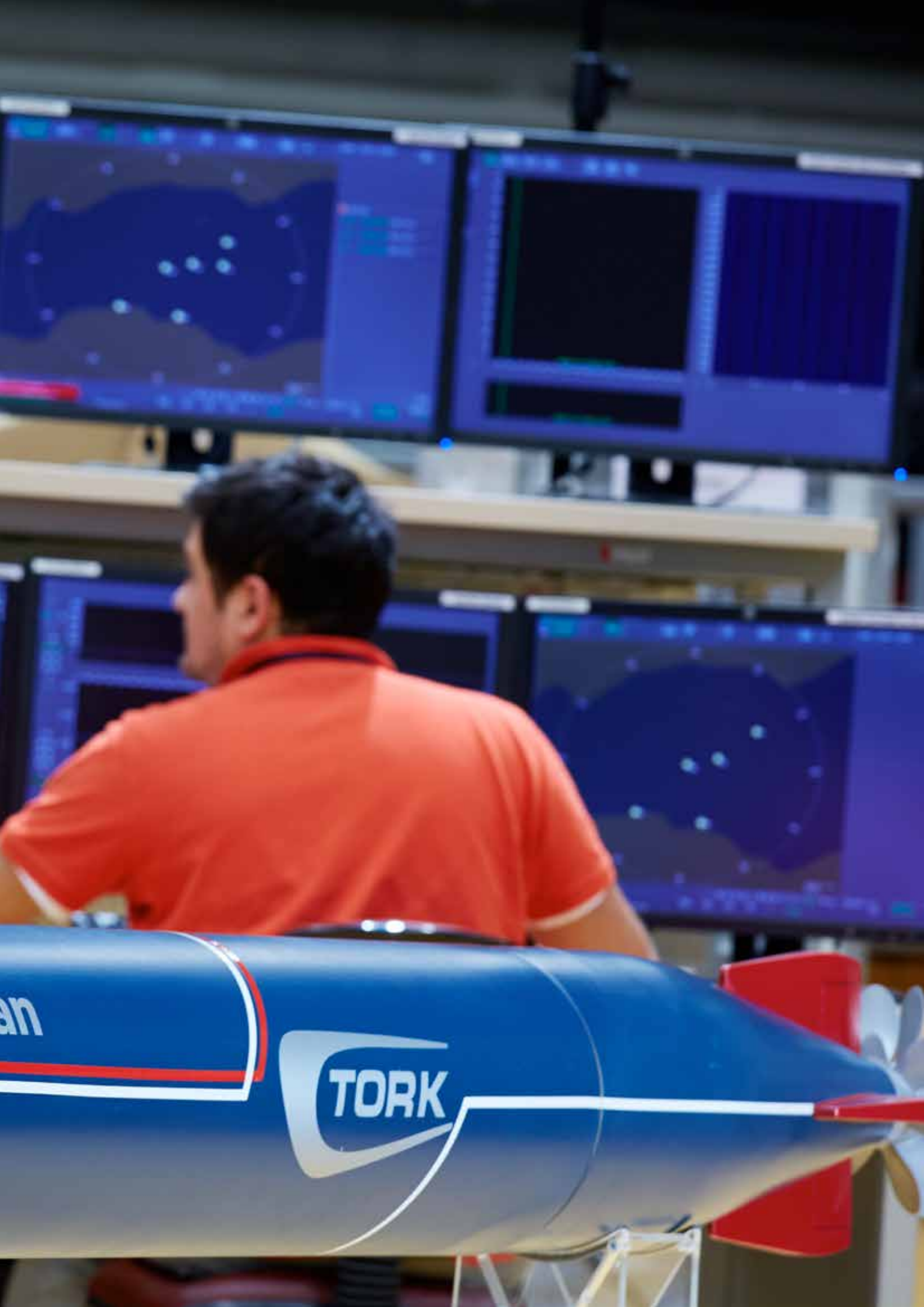
Modernization of 35 mm Towed Air Defense Guns

35 mm Towed Guns are being modernized by ASELSAN for efficient use of 35 mm Airburst Ammunition. FCS and 35 mm Modernized Air Defense Guns -together with the ability to fire 35 mm Air Burst Ammunition- provide an effective air defense solution against modern air threats such as cruise missiles, air-to-ground missiles and UAVs.

ASELSAN air defense gun systems are in the final stage of the qualification tests. Serial production contracts are expected to be signed in 2015.







TORK

Defense Systems Technologies Business Sector



HİSAR LOW AND MEDIUM -ALTITUDE AIR DEFENSE MISSILE SYSTEMS

The Low and Medium Altitude Air Defense Missile Systems will destroy threats in the low and medium altitude within the scope of point and regional air defense. Within the scope of the HİSAR-A Project, the Company has been developing the following systems and will perform the qualification of a number of products and production lines including the Self-Propelled Autonomous Missile System (tracked vehicle), the Missile Launching System (wheeled vehicle), the Low Altitude Air Defense Missile which can be launched from either of these two configurations (tracked vehicle and wheeled vehicle configurations). The Self-Propelled Autonomous Missile System currently under development may autonomously perform their

missions fully, thanks to their 3D search radar, command control and fire control systems. On the other hand, in the Missile Launching System the command control and fire control functions are performed by the Fire Control System. ASELSAN completed the system design phase in the HİSAR-A Project. Test firing was performed at the Tuzgölü Southern Region Firing Zone for the Ballistic Testing Missile of the Low Altitude Air Defense System.

LONG RANGE AIR AND MISSILE DEFENSE SYSTEMS

The Undersecretariat for Defense Industries plans to procure Long Range Air and Missile Defense Systems from other countries through the direct procurement method. ASELSAN received offers with foreign candidate companies regarding the Long Range Air and Missile Defense Systems.

COMMAND CONTROL AND COMMUNICATION SYSTEMS

Fire Support Automation Project

The Fire Support Automation System automates the command, control and communication functions of fire support in the combat zone and ensures that fire support units operate in tandem with other functional units in the combat zone.

ASELSAN completed the delivery of the systems within the scope of the ASELSAN Fire Support Automation System (ADOP-2000) for 2014.

As part of ASELSAN's efforts to export Fire Support Systems to foreign markets, ASELSAN carried out various testing and presentation activities and road-shows in various countries.

Tank Command Control Communication and Information System

BATUR Battle Management and Unit Tracking System is a command control system which provides common tactical picture, decision aids and functionalities to support the preparation, execution and after mission phases of operation for the contact units, multiplying the effectiveness of the maneuvers. BATUR enables the command control activities to be carried in a computer aided environment ensuring that military personnel have access to required information in the shortest time possible.

Within the scope of the National Tank Project (called ALTAY Project), Tank Command Control Communication and Information System qualification tests has been completed and the system is being used on the tanks.

Single Soldier Command Control System (CENKER)

Single Soldier Command Control System (CENKER) is an integrated command control and information system aimed at increasing the team's effectiveness, operational capability, situational awareness and integrated warfare ability. With the use of the system every personnel is capable of sharing location, situation, emergency reports, digital images and military messages among the team organization. The system which includes functionalities for use by infantry platoons/sections and Special Forces, is designed for use in extreme weather and field conditions, meeting the environmental conditions of the battlefield. The system software, prototype hardware development and system integration activities have reached its final stages.



Defense Systems Technologies Business Sector

Fire Control Handheld Computer (FCHC)

System allows technical fire direction of fire support assets such as Artillery, Howitzers and Mortars on the battlefield. The system delivery was completed within the scope of the FCHC Project.

Military Mission Computer Systems

ASELSAN develops and manufactures military mission computers, military handheld computers, monitors and keyboards and respective cards (including processor, interface, power management, video target detection and tracking cards), which can be used as an integrated part of land, air and naval system solutions and which are suitable for the challenging environmental conditions of the battlefield.

ASELSAN manufactured a range of products such as the EuroCard-3U (conduction/air cooled), EuroCard-6U (conduction/air cooled), Hybrid (both EuroCard-3U and EuroCard-6U)

(conduction/air cooled), 19" rack-mounted (air-cooled) military mission computers and HT-7244 and HT-7250 Military Handheld Computers. These family of mission computers and handheld computers have already been deployed in various system solutions, such as fire control, fire direction, command control, weapon control and data communication systems including the Helicopter Electronic Warfare System (HEWS), Stabilized Machine Gun System (STAMP), Stabilized Naval Gun System (STOP), ADOP-2000, MOSHIP/KURYED, ALTAY and Fire Direction Handheld Computer.

The Company completed its design work for the "Integrated Mission Computer" for meeting the requirements of the Air Defense Systems, and the unit is ready for serial production. The design activities for the "HT-7245 4th generation Handheld Military Computer" and "MP-7262 Military Panel Computer" has been continued.

Command Control Systems Integration Laboratory

Command Control Systems Integration Laboratory has been put into service for conducting test and integration activities of all Command Control and Information Systems at strategic, operational and tactical levels which are being developed or already in use by the Turkish Armed Forces such as the Fire Support Automation System (ADOP-2000), the Air Defense Early Warning Command Control System (HERİKKS), the Tank Command Control Communication Information System (TCCCIS), the Battle Management System (BATUR) and the Single Soldier Command Control System (CENKER). In line with the Network Enabled Capability concept, the laboratory provides necessary infrastructure including the information systems, communication and military computer systems for the pre-deployment qualification and operational testing activities of the Command Control Systems.



WEAPON SYSTEMS

Remote Controlled Weapon Systems

ASELSAN continued the production and delivery of STAMP (Stabilized Machine Gun System), STAMP-G (12.7 mm GAU-19/A Gatling Gun mountable STAMP), STOP (25 mm Stabilized Naval Gun System) and MUHAFIZ (30 mm Stabilized Naval Gun System) Remote Controlled Weapon Systems in line with domestic and international orders.

The 12.7 mm Lightweight Stabilized Machine Gun Platform (STAMP-L) developed for small boats was added to the Remote Controlled Weapon Systems product portfolio. The first STAMP-L Systems has been delivered abroad.

ASELSAN conducted development activities for the new generation STAMP, namely STAMP-2, which is smaller in size, lighter and offering more refined technology. STAMP-2 targets a technological competitive advantage with its ability to support both NATO-compatible and Russian based guns at the same time, its high stabilization sensitivity, automatic target tracking and improved firing performance.

ASELSAN continued the production and delivery of the 12.7 mm SARP Remote Controlled Weapon System to meet the needs of the Turkish Armed Forces and Turkish National Police. The 12.7 mm SARP Remote Control Weapon system was developed for low and medium-caliber weapons to support the close defense for tactical vehicles and stationery facilities against land based and aerial threats.

ASELSAN conducted development activities for the Remote Controlled Weapon System (SARP-L) on which 7.62 mm machine gun can be integrated.



Defense Systems Technologies Business Sector



FIRTINA T-155 Self-Propelled Howitzer Fire Control System

The FIRTINA Howitzer Fire Control System is a modern howitzer fire control system. The T-155 K/M FIRTINA Howitzer Fire Control System allows the movement, deployment, fire mission preparation, fire direction and control processes of the howitzer called "FIRTINA" to be fulfilled with the help of a computer and the digital integration of these processes into other fire support elements. The final lot of production and delivery of systems was completed.

Light Towed Air Transportable Howitzer Fire Control System

Light Towed Air Transportable Howitzer Fire Control System is developed by ASELSAN, within the scope of Light Towed Air Transportable Howitzer Development Project, which is conducted to fulfill the modern, light and air transportable artillery weapon as required by present combat conditions.



Modernization of Towed Panter Howitzer

A modernization activity is performed to improve and add new features to the 155 mm Towed Panter Howitzer in order to increase the effectiveness of it in use. The modernized prototype howitzer was tested successfully. This modernization is planned to be applied to other Panter howitzers in the inventory.

Multiple Launch Rocket Weapon Management System

The Multiple Rocket Launcher Weapon Management System manages the movement, deployment, fire preparation and fire control processes of the Multiple Launch Rocket Systems.

ASELSAN continued design and production activities within the scope of contracts signed for the export sales of the Multiple Launch Rocket Weapon Management Systems.



System Development and Modernization Activities for Main Battle Tanks

Within the scope of the ALTAY Project, which ASELSAN is involved in as the main supplier of Electronics, Electro-Mechanical and Electro-Optical systems, the Company delivered Tank Fire Control System, Electrical Gun Turret Drive System, Remote Weapon Station Tank Command Control Communication and Information System, Tank Laser Warning System and Tank Driver's Sight System. These systems were integrated on the PV1 tank prototype. System level qualification tests are going on.

Verification tests including the firing trials have continued on the initial prototype of the ALTAY Tank (FTR) in 2014. ASELSAN maintained its efforts to develop electronics modernization package for the T series MBTs and lightweight armored fighting vehicles. ASELSAN has been working in cooperation with KAE, ASELSAN's subsidiary in Kazakhstan, in undertaking such modernization activities especially in Kazakhstan and Former Eastern Bloc countries.

The Company continued the development, prototype production and management activities as part of international cooperation agreements entered into for the modernization of the Leopard 1 and Leopard 2 tanks in foreign markets, which include the introduction of ASELSAN New Generation Fire Control Systems to Leopard Tanks.

LAND SYSTEMS

Ammunition Transfer System for the POYRAZ Ammunition Resupply Vehicle

The main mission of the Ammunition Transfer System (ATS), which was integrated into the POYRAZ Ammunition Resupply Vehicle, is to load the ammunition from ammunition supply point to the POYRAZ Ammunition Vehicle quickly and easily, and then to transfer the ammunition automatically to the FIRTINA Howitzers which are located in the combat zone.

The POYRAZ Ammunition Vehicle may operate in accordance with voice or digital orders received from the upper command post. With the aid of the vehicle's Global Positioning System (GPS), it may change its position and move quickly and information concerning the Ammunition Transfer System's locations, friend and foe troops, known points and command locations may be displayed on the digital map.

Prototype and pilot production phases were completed in the project while mass production activities continued.

Artillery, Howitzer, Mortar and Rocket Launcher Fire Direction Systems

Design, production and delivery activities were conducted for the Artillery, Howitzer, Mortar and Rocket Launcher Fire Direction Systems that automate the technical fire direction processes and enable the fire direction center and the weapon to perform fire missions fast and accurately.

Vehicle Electronic Systems

For modern military vehicles ASELSAN has executed conceptual, pre-design and prototype phases of some emerging technologies such as situational awareness, augmented reality, active protection systems, vehicle tracking, smart vehicle management and required infrastructures, fuel-cells and communication infrastructures.

ASELSAN has also conducted design, production and integration of the hardware which gains outstanding functions to Land Vehicles on the battlefield area. Production and deliveries of the systems such as Forward Observer/ Reconnaissance-Surveillance Vehicles, Command Control Vehicles, Artillery/ Mortar Fire Direction Vehicles, Survey Vehicles and Field Artillery Meteorological Vehicles have been performed by ASELSAN.



Microelectronics, Guidance and Electro-Optics Business Sector





Microelectronics, Guidance and Electro-Optics Business Sector



AVIONIC SYSTEMS

Production activities for equipment and systems for the Modernization of the Gendarmerie's S-70 and Land Forces' ATAK Helicopter deliveries, ARI and ERCİYES Projects where TUSAS is the prime contractor for those programs were carried out. R&D activities related to AVCI, TARP-Turkish Airborne Reconnaissance Program and JSF Program were performed. ASELSAN has already started avionic system development and integration activities within the scope of the ANKA-S, HURKUS-B and Turkish Utility Helicopter Programs.

Helicopter Programs

ASELSAN conducted the development of hardware and software of the T-129 ATAK Helicopter Avionic Centralized Control Computer (ACCC) and other avionic systems, which are managed by ACCC. Moreover, ASELSAN conducted the integration of all systems that were developed or procured for T-129 ATAK Helicopter have been completed. The serial production of avionics, deliveries and technical support of ATAK Helicopter's avionic and weapon systems continue.

The delivery of helicopter kits include Avionic Centralized Control Computer (ACCC) system, Airborne Inertial Navigation and Localization System (ANS-510), the Internal Communication System (DHS-101), Multifunction Display Unit (VMFD-68), Keyboard Display Unit (KDU-44), Data Load Unit (VYB-4CF), Advanced Targeting System (ASELFLIR-300T), AVCI

Helmet Integrated and Cueing System, Digital Moving Map, Weapon and Gun Interface Units, Pilot/Co-pilot Mission Grips and Armament Control Panel, and Avionic/Weapon Control Panels. ASELSAN is currently continuing to support TUSAS within the scope of ground and flight tests. The acceptance for Early Deployment Helicopters (EDH) was completed and these helicopters were added in the inventory of Land Forces Command.

The design of AVCI was completed and integrated into the T-129 ATAK Helicopter. AVCI includes the world's first hybrid (optic-inertial) head tracker integrated to a helicopter platform and provides integrated control of targeting and weapon systems to the pilot's line of sight with high performance of tracking

sensitivity. ASELSAN signed contracts with both Sikorsky, for Integrated Modular Avionics System Development, and TUSAS for Turkish Utility Helicopter Program, to develop, produce and integrate critical mission, navigation, communication and electronic warfare systems that will be used in S-70i / T-70 Blackhawk. Preliminary design activities still continue within the scope of these contracts.

Within the scope of the Avionic Modernization of Gendarmerie Helicopters Project (JHM), ASELSAN completed the prototype phase of avionic modernization of S-70 Sikorsky Helicopters, AB-205 Helicopters and Mi-17 Helicopters which are in the inventory of the General Command of Gendarmerie. Integration activities for those helicopters continue.

Aircraft Programs

Under Turkish Airborne Reconnaissance Program (TARP), the Factory Acceptances of EO/IR Reconnaissance Pods, Ground Image Exploitation Systems with Ground Data Link Terminals were completed. The Ground Support Equipment and Spare Parts for these systems were delivered to Turkish Armed Forces (TAF). System Integration Tests, Ground Tests and Certification Flight Tests were successfully completed as part of the integration of pods to F-16 Blok-30 TM aircrafts. The delivery of these systems will be completed after the site acceptance tests.



Microelectronics, Guidance and Electro-Optics Business Sector

Under the HÜRKUŞ-B Program, ASELSAN is developing Mission Computer (MC), Graphical Multi Functional Display Unit (GMFD), Internal Communication System (ICS), Airborne Inertial Navigation and Localization System (ANS-510) together with the Flight Management Software, which are compliant to DO-178B and DO-254 certification standards, to be integrated to New generation Basic Trainer Aircrafts developed by TAI. Conceptual design activities have been carried out and preliminary design continues.

ASELSAN develops hardware for the Flight Control Computer, Mission Computer and CATS Advanced Targeting System for ANKA project. Within the scope of the project, ASELSAN will also conduct avionic integration and serial production and delivery of these equipment and also existing ANS-510 navigation systems. Design and integration activities are ongoing.

In the Avionic Modernization of T-38 Aircraft (ARI), the Company continued the delivery of Central Control Computer and Multi-Function Display systems.

Under the JSF Program, ASELSAN works on enhancing its exiting optical capabilities with Lockheed Martin - the prime contractor - and the Project of the Development of CAIC Module with Northrop Grumman.

Navigation Systems

ASELSAN Indigenous design Navigation Systems, ANS-510 and ANS-310 have been integrated into various land, naval and airborne platforms under different programs to supply the requirement of Turkish Air Force since 2010. Besides, navigation product portfolio also covers systems of LN Series (LN-100, LN-260 and LN-270) which have been manufactured under Co-Production License Agreements with Northrop Grumman Electronic Systems. These systems are also provided for various ongoing programs.

Deliveries of ANS-510 under ATAK Program are still ongoing. The deliveries of LN-260 units were accomplished for the F-16 Modernization (Peace Onyx-III) and F-16 Procurement (Peace Onyx-IV) programs while the deliveries for the same navigation unit are still continuing for Modernization of C-130, Erciyes Program.

Regarding land platforms, the Navigation System ANS-510 product group was included in the Air Portable Light Towed Howitzer (APLTH), Fire Support Automation (FSAP), 8200 Land Navigation System and Mobile Counter Mortar Radar (CMR) programs. Deliveries of LN-270 navigation systems were accomplished for Firtina Program.

In naval platforms, the ANS-510D Navigation System is deployed for Amphibious Landing Ship (LST). The deliveries for Turkmenistan SERHED Ship Class Boat (SSCB) Project have been completed. ASELSAN has been providing LN-270 Navigation Systems for Submarine Rescue Mother Ship as well as the Rescue and Towing Ship (MOSHIP-KURYED) and MTA Seismic Exploration Ship projects.



ELECTRO-OPTIC SYSTEMS

ASELSAN continued land, air, naval and space platform applications of thermal vision systems, day vision systems, night vision devices with image enhancers, laser systems, electro-optic countermeasure systems and multisensory electro-optic systems.

TARGETING SYSTEMS

Within the scope of the ASELPOD Development and Integration Project, ASELSAN completed the Preliminary Acceptance activities of Engineering Pod. The Company continues flight tests for engineering purposes in F4E/2020 aircraft. ASELSAN will continue to undertake efforts to realize the Final Acceptance of the Engineering Pod by completing qualification tests within 2015.

ASELSAN met the requirements of the Laser Warning Receiver System's (LWRS) with the Field Effectiveness Test and completed the confirmation phase. The Company continues to provide support to Platform Integration activities. ASELSAN delivered Field Level Support Equipment and continued to deliver HAT Level Support Equipment during 2014.

Within the scope of the project for the Integration of Laser Lightening Unit (LLU) into the ASELFLIR-300T System Project, the first LLU was integrated. Final acceptance of the first system was made after successful flight tests. Factory Acceptance Tests of the Second and Third LLU Integrated ASELFLIR-300T was completed and all systems were delivered.



Microelectronics, Guidance and Electro-Optics Business Sector



NAVAL SYSTEMS

ASELSAN conducted procurement and integration of weapons and electronic systems for the Coastguard Search & Rescue Ship.

The delivery of the Gyro System and IR/LLTV System was carried out within the scope of the MOSHIP-KURYED Ships Project, while commissioning activities on the ship continued.

Under the Submarine Periscope Thermal Camera Project, ASELSAN will deliver 10 IR cameras for Airbus DS Optronics Periscopes.

In the PIRI Infrared Search and Tracking System (PIRI IRST) Project, the Company has designed an electronic support

system which is able to conduct multiple target detection and tracking on both 3-5 μm and 8-12 μm bands in addition to providing panoramic views. ASELSAN continued design activities under the PIRI IRST project, which is the first national IRST system.

As part of the Procurement of Electro-Optic Display and Recording Systems Project, ASELSAN delivered GÖZ Thermal Camera Systems, which are assembled on Stabilized Pan & Tilt, to Coastguard vessels (SAR33, SAR35 and 80 Class).

The Company modernized the Seaguard-TMK Fire Control Radars of the Yavuz-Class Frigates, and these radars gained electro-optic tracking ability.

ASELSAN brought electro-optic ability to fire control radars of the Barbaros-Class Frigates.

ASELSAN continued production activities within the scope of the Procurement of ASIR Thermal Camera, Multi Range Laser Range Finder and their assembly units.

The Coastal Surveillance Radar System is comprised of an Electro-Optic Sensor System, a high resolution Thermal Camera, a Day Vision Camera, a Moving Platform and a Video Surveillance Unit. The project will include the delivery of the Electro-Optic Sensor system.

RECONNAISSANCE SYSTEMS

Within the scope of the ALTAY Project, the Company provided integration support to OTOKAR in relation with prototypes that were delivered for FTR and PV1 tanks. ASELSAN also conducted activities regarding the systems' working with each other on FTR and PV1 tanks as well as test/confirmation of systems on tanks at the platform level. The Company conducted firing / without firing tests in the Şereflikoçhisar Tank Fire Area.

ATS-60, the Electro-Optic Sensor Unit of Turkish National Police's Armored Combat Vehicle Remote Control Weapon System, was delivered to NuroI.

ATS-40 units were delivered to be used in Sarp Systems.

Delivery of the Thermal Camera and Accessories was completed under the Procurement of ENGEREK-GÖZ Seespot Projects.

In the procurement of Thermal Handheld Binocular and Thermal Imaging Project, which was signed with STM, the Company conducted the delivery of Thermal Handheld Telescopes and Thermal Cameras.

The Company signed the SAGER Sale contract with ASELSAN Middle East, the primary contractor, regarding the modification of the KORNET-EM System's Thermal Camera, for the need of Bahrain Armed Forces.

Delivery of Falconeye-MW was made within the scope of European Union and Modular Security System Solution Project.



Microelectronics, Guidance and Electro-Optics Business Sector



Under ADOP2000, the Company delivered Falconeye-Adestim.

ASELSAN signed a contract with the General Command of the Gendarmerie and Azerbaijan Armed Forces regarding the delivery of Falconeye MW.

The Company completed Deliveries to the European Union and provided Eye Mobile Systems within the scope of these deliveries.

MOBILE TACTICAL SYSTEMS

The first delivery of the Mini Thermal Weapon Binoculars is completed. As part of the same order, production of 570 devices continues and the Company signed a new contract for a further 200 units. Under the Sharp Shooter Night Vision Binoculars Extension Development

Project, a prototype product was manufactured and the Company started demonstration activities. ASELSAN initiated activities for the Night Vision - Thermal Fusion development project.

ASELSAN delivered 313 sights, goggles and binoculars as part of the night vision product range to a number of domestic customers, in particular the Turkish Armed Forces, but also to Yonca-Onuk A.O., AFAD and BOTAŞ A.Ş. The Company delivered more than 2,000 devices in the same product family to its foreign subsidiaries, AME and KAE.

ASELSAN also completed the delivery of 53 Sharpeye E/O Sensor Units to the Turkish Armed Forces as well as various foreign markets. Within the scope of the contracts signed in 2014, the Company will produce and deliver more than 300 devices in 2015.

The export of Piton and Boa devices, produced under the Thermal Weapon Binoculars project continue. Total of 120 of these devices are delivered in 2014.

Under the Leading Thermal Binoculars project, ASELSAN delivered 127 devices and received 440 additional orders.

As part of export targets, ASELSAN signed export contracts to meet the needs of the Tunisian Ministry of Defense, the Kazakhstan Armed Forces and the Polish Border Security for Electro-Optic devices. An export contract was signed with the Azerbaijan Ministry of Defense to meet their requirement for Electro-Optic devices and is awaiting approval from the Azerbaijan Ministry of Defense.

Jordan -AME- FACTORY: 100 units of ready A360 monoblock (A361) devices and 400 units of A100 kit were delivered.

ASELSAN signed a contract for the delivery of 26 SAGER sights in line with the requirements of the Bahrain Armed Forces.

KAZAKHSTAN - KAE- FACTORY: A total of 85 of the A100 ready devices, 140 of the A340-SKD kits, 140 of the A340 ready devices, 310 of the A230 devices, 104 of the A360-CKD-II kits and optical devices were delivered to the Kazakhstan KAE factory between September and December 2014.

GUIDANCE SYSTEMS PROGRAMS

Missile Guidance and Seeker Systems Projects

ASELSAN has reached the end of the design verification phase of high performance and low cost Imaging Infrared Seeker development for Mid- and Long-Range Antitank Missiles. The seeker prototypes were used in guided missile firing tests from helicopter and ground. In tests against mobile targets, one of the most difficult firing scenarios, the targets were hit successfully. An outstanding performance beyond the required ranges has also been demonstrated. The project is in pilot lot production stage.

ASELSAN has continued to design and developing of Imaging Infrared Seeker for HİSAR A/O Low and Medium Altitude Air Defense Missile System. In both projects (HİSAR A/O), the System Design Phase has been completed, the design and development activities continue under the Subsystem Development and Test Phase. The functional seeker prototype deliveries of this phase are ongoing.







Microelectronics, Guidance and Electro-Optics Business Sector

Guidance Kits Projects

As part of its efforts for the Development of Guidance Kits, ASELSAN originally designs and develops Laser Guidance Kits (LGK), which will be mounted on MK-82 (500 lb) and MK-84 (2,000 lb) bombs. Moreover, the Company started mass production activities for Precision Guidance Kits (HGK) which are installed to the Mk-84 (2,000 lb) general purpose bombs and designed by TÜBİTAK SAGE.

UNMANNED SYSTEMS PROGRAMS

Unmanned Maritime Vehicle Projects

ASELSAN continued design and concept development efforts for surface/underwater platforms. With the experience gathered from the LEVENT Unmanned Surface Vehicle, ASELSAN tailored the L-1 ship of the Turkish Navy for unmanned autonomous use. Thereafter,

the Unmanned L-1 Ship was used in a destructive mine trial for the first time in the history of the Republic of Turkey.

Unmanned Ground Vehicle Projects

ASELSAN continued its efforts to develop and produce the KAPLAN Multi-Purpose Unmanned Ground Vehicle Family of products within the vehicle transportable class. In this context, the Company:

- Completed the integration of various IED detection systems composed of GPR (Ground Penetrating Radar) and metal detector to the KAPLAN Unmanned Ground Vehicle. The Company also conducted demonstration activities.
- Conducted various development activities in line with the needs of customers regarding the KAPLAN Bomb Disposal Robot.

- Effectively participated in NATO activities to standardize co-working of unmanned vehicles. Systems that were developed during these activities were exhibited to the NATO delegations in tests which were performed with the German and US participants.

Moreover, in 2014, the Company initiated design activities for the bomb disposal robot which can be carried by a two-person team, by foreseeing the needs of the TAF and TNP.

Unmanned Aerial System Projects

With the ARI-1T Rotary Wing Mini Unmanned Aerial System, activities regarding takeoff/landing from/to moving ships and live video transfer of naval firing tests were successfully conducted for the first time in our country.

ASELSAN continued work on the development of the Fixed Wing Mini Drone Unmanned Aerial System by adding autonomous flight abilities to the system.



MICROELECTRONICS

Activities conducted in the field of nano-electronics enhance co-operation between universities and industry, and increase our technological depth in ASELSAN products.

Non-electronic Fields of Activity

These activities encompass Nano Devices - primarily Cooled and Uncooled Infrared Photon Detectors, Uncooled Infrared Thermal Detectors (Microbolometers), Inertial Navigation Sensors, High Power Laser Diodes, Laser Receivers and Photodetectors-Near Infrared (NIR) and Ultraviolet Image Enhancer Tubes, Bio-MEMS and REF-MEMS based on MEMS technology, Image Sensors that are sensitive to Visible Light and similar applications.

Cooled Infrared Photon Detectors

The Company conducts mass production of Quantum Well Infrared Photodetectors (QWIP) and activities for thermal cameras based on these sensors. The QWIP Detector Technology is the first and only infrared detector technology which has gone into mass production in Turkey. This technology has been transferred to ASELSAN from Middle East Technical University's KANAL laboratory. ASELSAN has carried out all mass production activities of QWIP detectors.

Cooled infrared photon detector activities, which were initiated with the KOST and KOBRA Projects, continue with the EYMİR and GEDİZ Projects that are being carried with the support of the Undersecretariat for Defense Industries.

Uncooled Infrared Photon Detectors

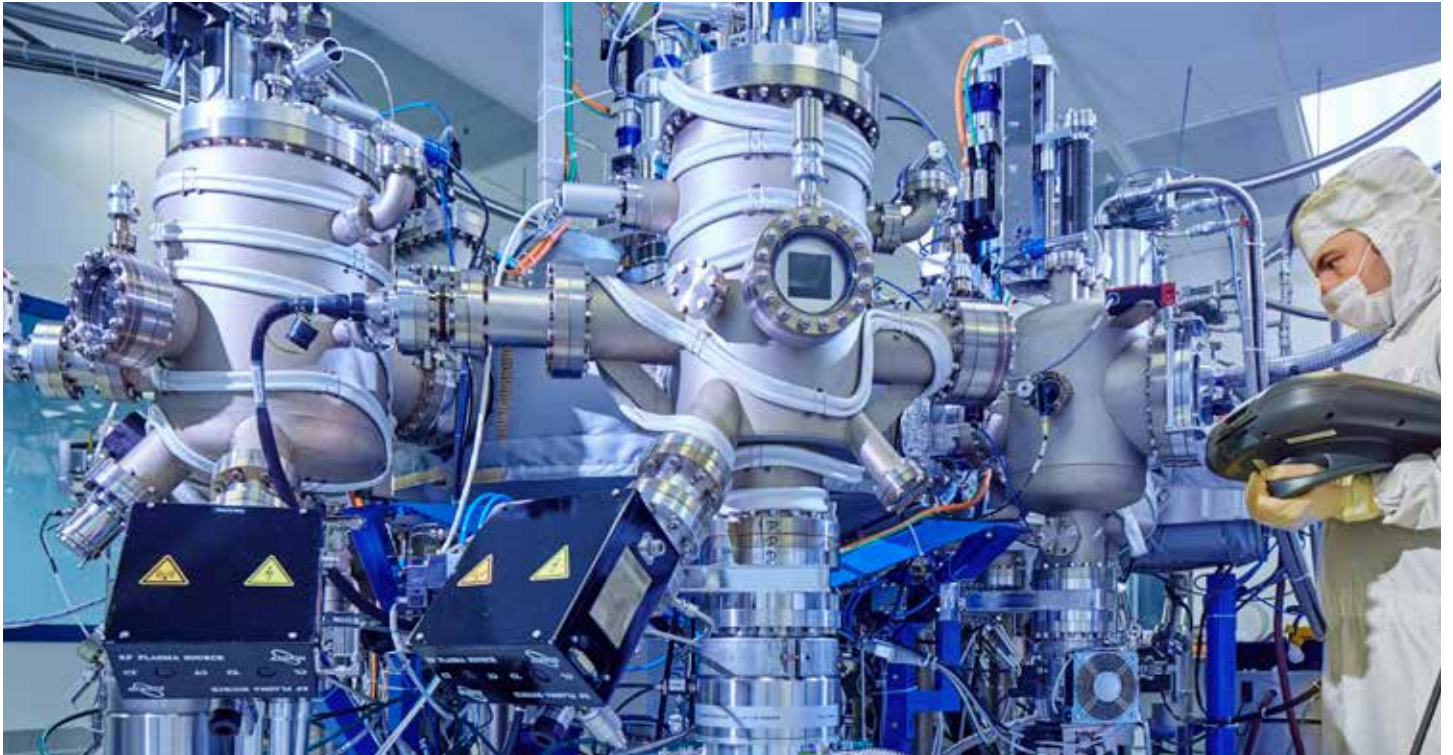
Development activities of Short wave infrared (SWIR) uncooled infrared photon detectors, which have high performance

in inclement conditions such as fog, smoke and mist have been carried out under the KANGAL Project with the support of the Undersecretariat for Defense Industries.

Uncooled Infrared Thermal Detectors (Microbolometer)

ASELSAN and the METU Memes Research and Application Center conducted indigenous co-development activities regarding the microbolometer type uncooled infrared detectors with the support of the Ministry of National Defence, the Land Forces Command, the Ministry of Science, Industry and Technology and TÜBİTAK.

As a result of these research and development activities, Turkey has become one of few countries able to develop microbolometer type uncooled infrared detectors with her own resources.

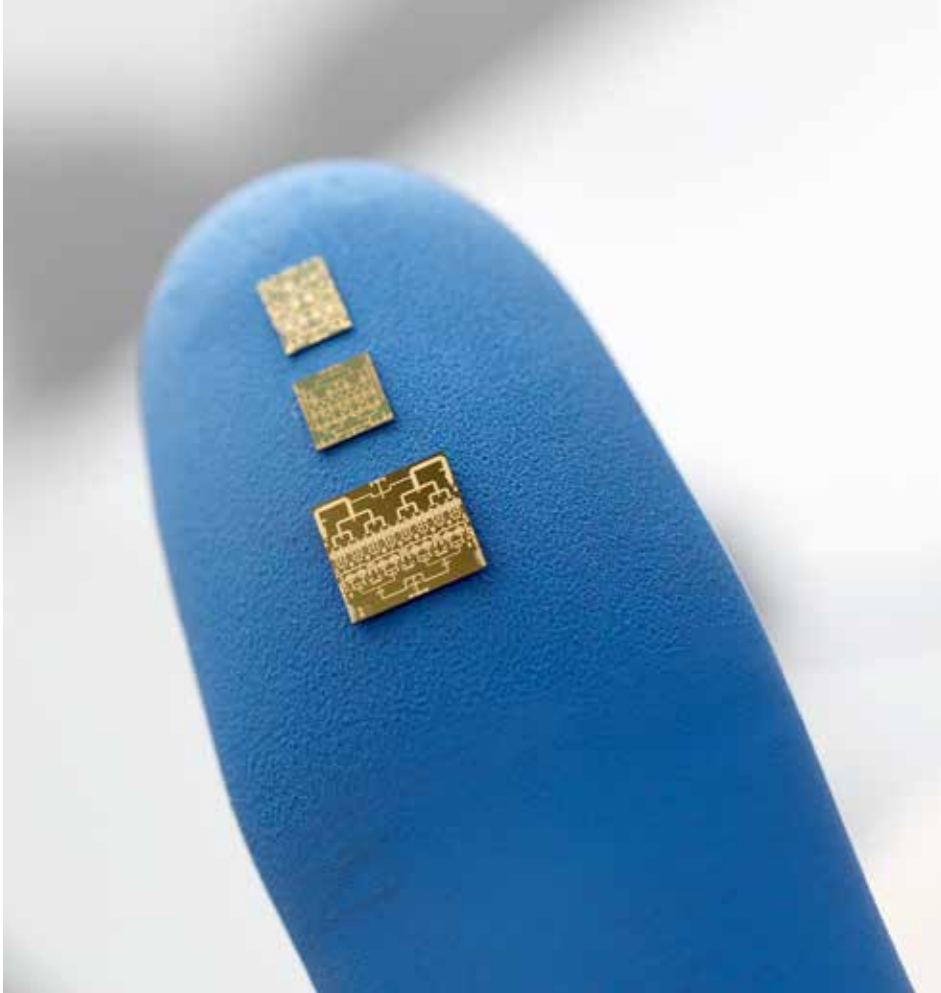


Radar and Electronic Warfare Systems Business Sector



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Radar and Electronic Warfare Systems Business Sector



Gallium Nitride (GaN) Technologies

ASELSAN cooperates with Bilkent University under the Projects of Silicon Carbide (SiC) Based GaN Switch Integrated Circuits and Radio Frequency (RF) Power Transistor Development, which were signed with The Undersecretariat for Defence Industries. In the scope of GaN Switch Project; setting up the microdrilling system, development of fabrication processes and setting up the measurement equipment have been accomplished. In the scope of GaN RF Power Transistor Development Project, setting up the substrate thinning system, development of fabrication processes and setting up the measurement equipment have been accomplished.

In both projects; GaN Based High Electron Mobility Transistor (HEMT) epitaxial material design, growth and optimization activities and circuit design, fabrication and measurement activities have been performed.

Silicon Germanium (SiGe) Technologies

ASELSAN cooperates with TÜBİTAK BİLGEM and Mikroelektronik Araştırma Geliştirme Tasarım ve Ticaret Ltd. Company within the scope of Generation of the Standard Cell Library for the 0.25µm SiGeC BiCMOS Technology Project, which was signed with The Undersecretariat for Defence Industries. The System Requirements Description Phase was completed and works on the Critical Design Phase started during the period.

MICROWAVE PRODUCTS

Microwave Modules

In order to use in Radar, Electronic Warfare and Satellite Systems, design and production activities of high performance Transmitter and Transmitter/Receiver Modules, Front-End Modules, Frequency Converters, Power Amplifier Modules, Digital Frequency Discriminators (DFD), Logarithmic Video Amplifiers (DLVA), Filters, Monolithic Microwave Integrated Circuits (MMIC), Thin-Film Based Components have been carried out.

Purchase order has been received from Raytheon Company for Dual Transmitter/Receiver Switch and Combiner Modules. These modules are planned to be delivered in 2015.

Battlefield Target Identification System (BTIS) Project

In the Battlefield Target Identification System project; production and design validation tests for the 2nd and 3rd version prototypes of the Interrogator and Transponder RF units and Antennas were completed and qualification tests will be performed.

ELECTRONIC WARFARE SYSTEMS

The Undersecretariat for Defense Industries signed new contracts within the context of Electronic Warfare Projects. The contracts include the sale of KIRPi Portable Jammers and GERGEDAN Vehicle-Type Jammers, the General Purpose Helicopter, the Integration of ARES-2N Electronic Support Systems, which were deployed in the TCG BÜYÜKADA and TCG HEYBELİADA MİLGEM Platforms and in the 3rd and 4th MİLGEM Platforms.

The Contract for "Hand Made Explosive (HME) Mechanisms Detection System Project", which was supported by TÜBİTAK within the scope of "TEYDEB Support Program for Industry R&D Projects" was signed.

In conjunction with Gazi University, METU and Yiğit Akü, ASELSAN signed a contract with the Ministry of Defense regarding the design and manufacture of the domestic Lithium-Ion battery group, which offers the feature of an uninterrupted power supply.

The second AY-Class Submarine ED System was delivered within the scope of KIRPi Portable Jammers and GERGEDAN Vehicle-Type Jammers, Fixed Site HF Direction Finding and Monitoring System, New-Type Mobile DF System, ARES-2SC Submarine ED System and AY-Class Submarine ED System Project.

As part of Procurement and Integration of the HEWS RWR/RFJ/LWR/SCPU contract, Field Effectiveness Tests - which are the final phase of the qualification process - were successfully completed. The mass production phase was initiated by holding

a Qualification Meeting. Development and delivery activities were conducted within the context of HEWS CMDS/CFD Countermeasure Dispensing Systems and Chaff/Flare Decoy Projects.

ASELSAN conducted the design, production and integration activities of the Land Platform Stand-off Radar Electronic Support and Electronic Attack System, New Type Submarine Radar Electronic Support System, airborne Communication Direction Finding and Monitoring System, Radar Jamming and Deception Simulator (RAKAS), Combat Jamming and Deception simulator (MUKAS), Active/Passive Convoy Protection System, Tank Landing System (LST - Landing Ship Tank), SPEWS-II EH Self Protection Systems, A400M Aircraft Missile Warning System and the MELTEM Maritime Patrol Aircraft Electronic Warfare System Projects.



Radar and Electronic Warfare Systems Business Sector



Development activities continued for various antennae and power amplifiers to be used in HF and V/UHF frequency bands in Communication Electronic Warfare Systems. Confirmation activities were completed and products started to be used within the scope of new Contracts.

ASELSAN proposed an offer to the Undersecretariat for Defense Industries for the High Frequency (HF) Electronic Attack (EA) System, V/UHF Electronic Attack System, Monitoring and Direction Finding System (that can be carried by a single soldier), the High Frequency (HF) Electronic Support (ES) System, the Radar Electronic Support/Electronic Attack System, the Active Protection System (AKKOR) and the Landing Platform Dock Project Deniz EH Suit. Negotiations for the contract for these projects continue, which is expected to be signed in 2015.

Within the scope of development High Power Electromagnetic Wave Systems, installation of high capacity impulse generator and high voltage quick charge system as a single cell to the top of an unmanned land vehicle (remote control robot) was conducted. The unit small and portable bag and HPEM system was produced and tested. Our Division prepared Preliminary Feasibility Survey (PFS) for High Power Microwave Systems. Moreover, the Sub-Committee including TÜBİTAK BİLGEM, TÜBİTAK MAM, METU, Anadolu University, and İTÜ in the leadership of ASELSAN A.Ş. prepared a Preliminary Feasibility Survey (PFS) for "Equipment Used in High Power Microwave Systems".

The Company offered ASELSAN solutions to TÜBİTAK SAVTAG's calls for the Development of Composite Radar Absorbing Structures for Air Platforms and Detection, Identification and Analysis of Direct Serial Wide Spectrum (DDGS) Based Transmissions Project.

RADAR SYSTEMS

Mortar acquisition radar plays an important role for protection of areas under mortar threats. Three SERHAT radar systems has been developed, manufactured and delivered to the Turkish Armed Forces within the scope of the Mortar Acquisition Radar contract. Being the first national ammunition detection radar of Turkey, SERHAT has won the "TESID Innovation Award in Big Firm Category" at 12th TESID Innovation and Creativity Contest with its patented radar techniques.

Our next generation Ground Surveillance Radar, ACAR has been delivered and it is actively being used by the Turkish Armed Forces. Its delivery under contract to a South American country land forces has also been completed.

3D Active Phased Array Electronic Scanning Mobile Search Radar and Fire Control Radar developed for Air Defense Systems were both integrated into Self-Propelled Low Altitude Air Defense Gun System (KMNAİHSSS) and Fire Control Device (AİC). Target acquisition and tracking features of the both radars were verified with aircraft and helicopter flight tests.

ASELSAN continued its development activities for the multi face, multifunction, active phased array CAFRAD System to be used on naval platforms.

In the scope of National Fighter Aircraft Development Project, ASELSAN conducted studies for the technology demonstration of the Multi Function Fighter Aircraft Nose Radar.

Design efforts for the development of a Synthetic Aperture Radar Payload in the first phase of the GÖKTÜRK-3 SAR Satellite Project have been continued.

3 KALKAN Air Defense Early Warning Radar Systems were delivered as part of the final delivery of the contract.

The Company is continuing its design efforts for the development of Long Range Radars.

Synthetic Aperture Radar (SAR) System has been successfully tested on the test aircraft after the addition of Naval Search and ISAR modes. ASELSAN reached the final phase in its development activities. Integration of the SAR System onto the TUSAŞ ANKA platform has been continued.

Within the scope of GABYA and BARBAROS class ships modernization program and MILGEM project, ASELSAN is continuing its efforts to produce and integrate the 3D Naval Search Radar onto the platforms.

Production activities of the ALPER LPI radar and 3D Naval Search Radar for the 3rd and 4th MILGEM platforms have been started.

Within the scope of Coastal Surveillance Radar System (CSRS) Project, ASELSAN continued adaptation and production activities of SERDAR Radar. Field and port acceptance tests were conducted for delivery of SERDAR Radar as part of other projects.

The development activities for the Air Traffic Control radar have been conducted.

Within the context of international cooperation, a contract was signed with International Business Machines Corporation (IBM) for the co-development of phased array and scalable Silisium-Germanium (SiGe) based integrated circuits to be used in transmit/receive modules of civilian millimeter wave radar applications like border protection, detection of foreign objects at airports, short range naval target detection, meteorology, flight safety and auxiliary autonomous landing systems.

ASELSAN continued the installation, set to work and acceptance activities for Surface Search Radars within the scope of Turkmenistan SGSB Project.

Infrastructures for radar systems will be expanded with the new facilities established in ASELSAN's GÖLBAŞI campus.



Transportation, Security, Energy and Automation Systems Business Sector





Transportation, Security, Energy and Automation Systems Business Sector



TRANSPORTATION SYSTEM

It is aimed to take a place in the national and international market place with critical electrical and electronic components for the rail transportation vehicles such as high speed train, regional train, locomotive, trams, metro, and the electric vehicles used on land, sea and air and the advanced and unique state-of-the-art products in the field of energy storage systems in railway signaling and control systems.

Rail Vehicle Systems

Traction (CER) Control Systems

Traction system consists of the traction motor control/drive unit, traction motor, transmission unit and the train traction control unit, and the National modular traction system aimed at the rail vehicles containing original hardware, software and algorithms with local resources is developed by ASELSAN. The Project that is carried out is in the stage of system integration and test phase, and the laboratory tests are carried out. After this stage, it is planned to carry out the management, validation and certification activities of the traction system that will be integrated onto a metro vehicle.

With the system whose certification has been completed, it is aimed to realize the metro modernizations. In addition to this, the fact that the system has been designed in a modular way will enable it to be easily adapted to the rail vehicles such as high speed train, regional train and trams.

National and International Solutions on Transportation, Security, Energy and Traffic-Automation...

Train Control and Management System

A national Train Control and Management System which has high safety and reliability level and includes innovative architecture, algorithm, hardware and software for rail transportation vehicles such as high speed train, regional train and metro has been conducted.

Modular computer system which will be developed within the scope of this activity, can be configured as Central Control Unit (CCU), Automatic Train Operating System (ATO), Automatic Train Protection System (ATP), Human Machine Interface (HMI), Signalization and suchlike critical computer system.

Energy Storage System

ASELSAN started the development of Energy Storage System which increases efficiency and decreases cost for rail transportation vehicles. This system will enable decrease in rail transportation vehicles' electricity consumption in addition to their operation without catenaries.

Railway Signalization and Control Systems

ASELSAN initiated operations in the fields of rail transportation signalization, telecommunication and electrification. The Company maintains its work on the system, design, integration and modernization of the National Base Line and Metro Signalization Solutions.

The Company develops technology such as information systems, communication solutions, and smart rail vehicle management applications, traffic management systems which meet international standards, railway control hardware and software for the secured, safe, energy-efficient and autonomous rail transportation system of the future.

Electric Vehicle Systems

Development, manufacturing and testing activities are carried out in order to provide the battery, battery management system, traction system (motor drive unit and electric motor), vehicle control and management system, advanced sensor (day/night vision camera, LIDAR, RADAR, etc.) units and the vehicle safety software and hardware (autonomous vehicle control, automatic brake, etc.) which are the basic critical components for the electric vehicles used on land, sea and air to the vehicle manufacturer companies as cost effective with domestic facilities.



Transportation, Security, Energy and Automation Systems Business Sector

Project designing activities for the electric public transportation vehicles which are the needs of the domestic public institutions are being carried out at the level of common feasibility studies with the authorities in need.

Especially by making investments on the battery technologies of the future, it is planned to eliminate the diffusion barriers towards electric vehicles by enabling longer range usage and shorter charging times.

SECURITY SYSTEMS

The activities in the field of Security Systems are being carried out in the Border Security, Coastal Security Systems, Pipeline Security Systems, Patrol and Base Security Systems, Infrastructure Security Systems, Public Safety and Security Technologies.

Border Security Systems

As required by the contract which was signed with a South American Country, the Company places emphasis primarily on the development of mobile security systems as well as the activities of the Security Management Centre which will operate in integration with mobile and fixed security systems.

In line with this contract, the delivery of ASUR Mobile® Border Security Systems was carried out.

Coastal Security

Within the scope of the YUNUS (Aksaz and Foça Surface and Underwater Surveillance and Identification System) Project, ASELSAN continued Port Acceptance Tests of systems at the Aksaz and Foça Naval Bases.

Pipeline Security Systems

ASELSAN continued solution development activities for the security of Natural Gas and Oil Pipelines.

ASELSAN signed a protocol with HAVELSAN for cooperation regarding Security Projects. The first agreement in this context was realized with the establishment of Cooperation in Pipelines Security. The abilities of both institutions were pooled together for domestic and foreign natural gas and pipeline security systems with the Cooperation.

A system solution package was developed for the security of the BOTAŞ Oil and Natural Gas Pipelines. System solutions were created for pipelines, manned and unmanned stations and coastal stations. This modular system solution was built in a manner that can be deployed in all pipelines if necessary. Electro-optic



solutions may be integrated with land and sea surveillance radar, unmanned vehicles and communication systems.

Patrol and Base Security Systems

Within the scope of Modular Temporary Base Area (MTBA) Project, ASELSAN completed the majority of armored vehicle installation and infrastructure activities. Field acceptance was initiated.

As a result of negotiations held with Kazakhstan ASELSAN Engineering (KAE) and Semey Engineering, ASELSAN electronic systems were integrated into the BRDM-II wheeled armored vehicle which belongs to the Kazakhstan Army. Accordingly, a system which is similar to the MTBA was created and presented at the KADEX-2014 fair. During this fair, the system was positively evaluated by the Kazakhstan military authorities and requested for field tests. Preparations for the field tests continue.

Infrastructure Security Systems

ASELSAN pressed ahead with development activities for its facility security system as part of the "Improvement of the Incirlik Air Base WS3 Security System" project.

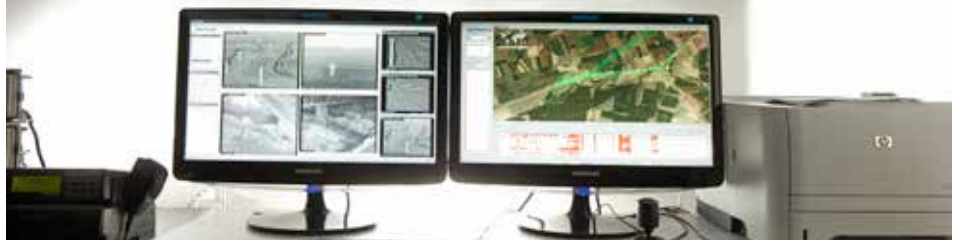
Public Security

ASELSAN maintained its work in the following areas: Secure Cities, Social Events, Counter Terrorism, Aerial Security, Natural and Artificial Disasters, Land Transport Security and Security of Critical Infrastructure.

Security Technologies

Removing deficiencies in naval surveillance systems with multi sensor networks

The demonstration of RECONSURVE (Reconfigurable Surveillance with Communicating Smart Sensors) Project, which was hailed as "the Most Innovative EUREKA Project" by KIAT (the Korean Institute for the Advancement of



Transportation, Security, Energy and Automation Systems Business Sector



Technology) was successfully conducted. A naval surveillance system covering a wide area and which has decision support mechanisms aimed at enabling the operator to take the right decisions at the right time in order to prevent illegal activities at sea such as migration and smuggling, and to ensure security at sea, was introduced. This system, which is equipped with the ability to classify different ships through infrared images obtained from UAVs, also includes a roof mechanism which obtains information from various external resources and which processes this information, enabling the detection of illegal activities taking place on the sea.

Enhancing Perception Abilities of Security Systems with Visual and Audio Sensors

This implementation aims to meet the needs of COPCAMS (Cognitive and Perceptive Cameras), security and surveillance systems and for increased situational awareness by combining different types of sensors. The security system architecture of the project was re-designed to create situational awareness by combining the data of visual and audio sensors. With the latest developments in large-scale security and surveillance system design, the central processing architecture remained. With a distributed approach, processing blocks were taken from the command control center and embedded into the cameras, thus enabling the entirely distributed and scalable system.

Meeting Calculation Requirements of Smart Surveillance Applications

The ALMARVI (Algorithms and Design Methods and Many-core Execution Platforms for Low Power Massive Data Rate Video and Image Processing) project aims to meet the increased calculation needs of security and surveillance systems. The common characteristic of modern hardware which operates with high performance and low power is that they are multicore processing platforms.



The ALMARVI approach analyses the calculation and memory needs of security and surveillance applications. By using the results of this analysis, it designs optimal heterogeneous multicore hardware architectures, software layers which are sensitive to context, and the most optimal image and video process algorithms.

A new system concept that can conduct judicial crime scene analysis of an explosion

HYPERION (Hyperspectral Imaging IED and Explosives Reconnaissance System), which is funded by the European Union 7th Framework Security program, develops a judicial crime scene analysis system that can be used in places which explosions take place. This system detects explosives and IED wreckage and creates 3D model of a crime scene. This system re-creates what happened during the explosion and it can calculate the location of the explosion.

Guiding Security Officers tackling Suicide Bombers

The SUBCOP (Suicide Bomber Counteraction and Prevention) project, which is funded by the European Union 7th Framework Security program, develops new technological abilities that may be applied to tackle incidences involving suicide bombers. The project aims to equip police forces with new command control systems that can enable them to conduct 3D area management through images by connecting to wireless surveillance cameras, to track suspects and anticipate crowds' movement. Thanks to the developed technology, people may be detected and tracked automatically in the multi camera system. Security forces may determine the distance between a suspect and a crowd in real-time.

Removing obstacles for cross border emergency situation and crisis management

The SECTOR (Secure European Common Information Space for the Interoperability of First Responders and Police Authorities) project aims to create solutions for common problems that have occurred in the recent past and are a concern for many countries, and which are faced in emergency and crisis management situations. The project envisages the coordination of innovative command control systems that will help multinational emergency aid teams and police forces monitor incidents, allowing them to share information and use a common resource and take effective decisions.

ENERGY SYSTEMS

With the aim of providing efficient, continuous, reliable and high quality products and services that will reduce our country's dependence on foreign resources for all energy items, especially in electricity generation, transmission, distribution, consumption and management, and which will meet the needs of all stakeholders in a global market, ASELSAN initiated efforts to provide system solutions including R&D,

design, production, integration and after sales support in the following areas:

- Renewable Energy Systems
- Smart Grid Systems
- Energy and Power Management System

Renewable Energy Systems

ASELSAN initiated activities to gain technologies enabling efficient and uninterrupted electricity generation from renewable energy resources, primarily from the sun, wind and biomass.

Within this context, technological requirements were identified by meeting our country's related public institutions and private entrepreneurs. In the first stage, the development of local technologies required for solar power plants and wind farms were prioritized.

Smart Grid Systems

A Smart Grid is a system which provides automatic and monitorable transmission of energy (electricity, water, gas) between the producer, distributor and consumer in an efficient, continuous, reliable and economic manner. It is aimed to develop systems, software and hardware equipment locally which will fill the gap in the smart network area domestically and internationally.



Transportation, Security, Energy and Automation Systems Business Sector



As part of the National Smart Grid Management System, the development of components needed in following areas is planned: advanced measurement, control and automation systems, integrated communication systems, integration of distributed production units, efficiency, loss analysis and compensation, supply demand management, smart building and smart city, smart lightning and smart charge systems (including electric vehicles), local SCADA systems, storage systems, micro network systems, new generation management, equipment and component technologies for increasing energy efficiency, energy management for end user software and hardware.

Energy and Power Management Systems

In power plant projects, ASELSAN plans to develop systems, software and hardware components for the following items to increase the local contribution; electric, electronic and mechanical component for the electricity generation phase, plant precise measurement control and management, communication, power and electricity generation components, plant SCADA system and equipment that will provide transmission of electricity in an effective, efficient and reliable manner which will keep losses to a minimum.

TRAFFIC AND AUTOMATION SYSTEMS

Toll Collection Systems

"Free Flow "OGS" Toll Collection System", which was realized within the scope of the agreement that has been carried out with the General Directorate of Highways, and established on Fatih Sultan Mehmet Bridge which is located in Istanbul.

Another important development in the field of toll collection systems is the agreement of Corridor-10 Toll Collection System that has been signed with Macedonia Public Enterprise for State Roads. Project is financed by the European Bank of Reconstruction and Development (EBRD) funds. The open tender that was prepared with the international format of the Bank and

awarded to ASELSAN by leaving behind the most important companies in this field in Europe. Within the scope of the contract, ASELSAN Automatic Free Flow System (OGS) and the Automatic Card Based System (KGS) will be established in all the stations in the Highway that extends from the Serbia border of Macedonia to the Greece border, which is a part of the Network of the European Corridor 10 highway.

In addition, in the Gebze-Orhangazi-Izmir Highway which is being constructed with the build-operate-transfer method in our Turkey, Northern Marmara motorway and the 3rd Bosphorus Bridge and Eurasia Tunnel projects which is also based in Turkey, negotiations have been made for the establishment of ASELSAN Toll Collection Systems.

Traffic Management Systems

In the "O4 Motorway Gebze-Izmit Segment Active Traffic Management System" Project, which is the first "Smart highway" application in Turkey, studies in the project have been carried out. Within the scope of application of the Smart highway, there is innovative elements such as the application of adaptive speed limit in accordance with the intensity of traffic, controlled access from the crossroads to

the main artery roads, automatic detection of speed violations, automatic event detection, the commissioning of automatic traffic management system scenarios apply according to events that have been detected.

Automation Systems

Vehicle and Licence Plate Recognition Systems

Establishments of Vehicle and License Plate Recognition System (A-PTS) installed within the scope of the Gendarmerie's Integrated Communication and Information System (JEMUS), which detects the license plates, the brand and color of the vehicle with high accuracy in free traffic flow conditions in 41 provinces have been completed, and the systems have been commissioned. Acceptance and inspection activities are being continued for the system.

In addition to this, within the scope of the JEMUS project. Erzurum Area and Giresun/Tokat Area Radio System projects signed between the General Command Of Gendarmerie forces and HBT (ASELSAN Communications and Information Technologies Business Sector), with this project, fixed and mobile vehicle and license plate recognition System will be established in 18 provinces in total.

Advanced Agriculture and Livestock Automation Systems

Studies are being continued for the transformation of ASELSAN's accumulation in the fields of unmanned systems, automation systems and communication systems into benefits in the field of agriculture and stockbreeding.

In this context, the related institutions in our Turkey have been consulted, and the areas with urgent need have been determined. In the first stage, R&D studies have been planned in the fields of agricultural machinery automation and auto-pilot, harvest measurement and herd management.

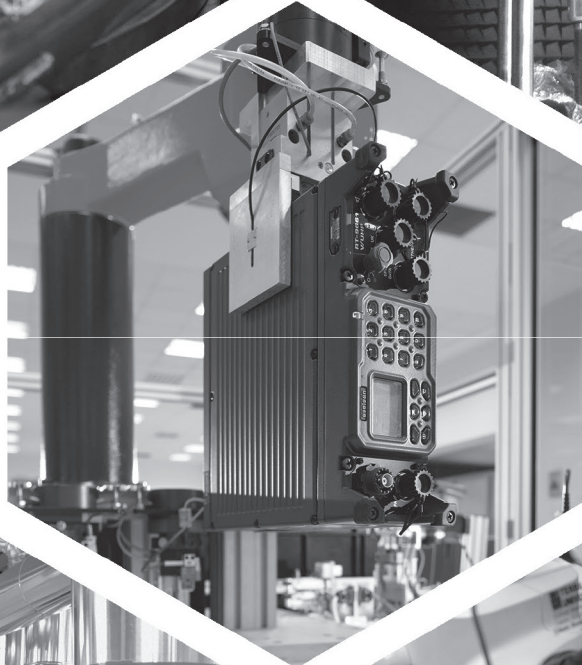
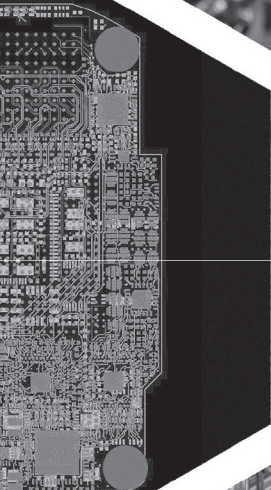
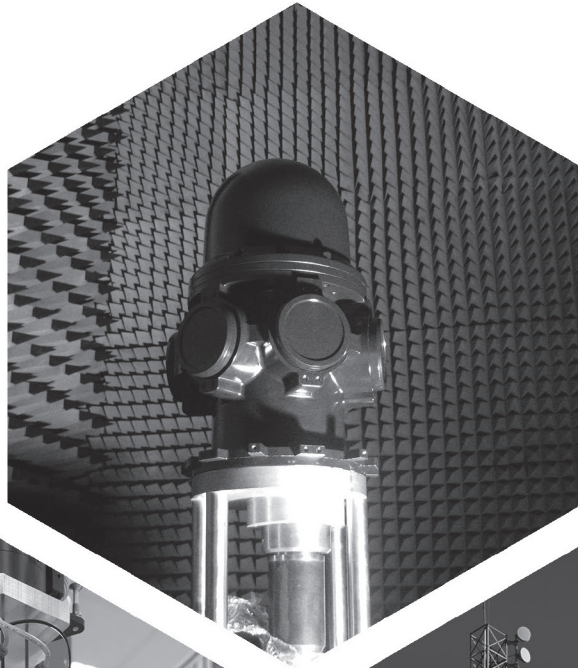
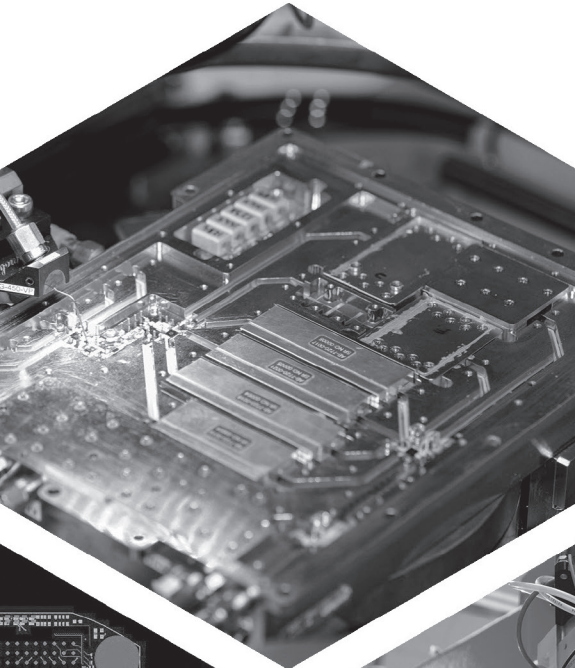
Natural Disaster And Emergency Case Management Systems

Developmental studies have been carried out in order to extend, the warning and alarm system consisting of control centers, communications infrastructure (cable, VHF/UHF radios and GSM) and electronic siren units used in order to warn the people against assaults attacks from abroad and dangers throughout the country.



ONE BRAND
ONE MISSION
FIVE SECTORS

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2014 ANNUAL REPORT



ASELSAN is a company of Turkish Armed Forces Foundation.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Audited Consolidated Statement of Financial Position As at 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

	Note References	Current Period Audited 31 December 2014	Prior Period Audited 31 December 2013
ASSETS			
Current Assets		2.355.673.667	2.049.564.480
Cash and Cash Equivalents	32	131.941.264	103.683.817
Trade Receivables			
Trade Receivables from Related Parties	4-5	120.292.826	145.157.039
Trade Receivables from Third Parties	5	823.429.292	611.089.356
Other Receivables			
Other Receivables from Related Parties	4-6	19.746	32.771.269
Other Receivables from Third Parties	6	41.933.886	48.741.727
Inventory	7	837.426.476	645.849.543
Prepaid Expenses	8	199.811.629	277.369.147
Other Current Assets	16	200.818.548	184.902.582
Non-Current Assets		2.629.760.107	1.958.410.870
Financial Investments	28	355.622.999	12.724.210
Trade Receivables			
Trade Receivables from Related Parties	4-5	31.855.852	26.392.887
Trade Receivables from Third Parties	5	278.592.305	312.343.820
Other Receivables			
Other Receivables from Related Parties	4-6	-	-
Other Receivables from Third Parties	6	261.988	197.085
Property, Plant and Equipment	9	853.969.422	741.988.200
Intangible Assets	10	438.506.438	372.807.645
Prepaid Expenses	8	383.548.025	274.439.651
Deferred Tax Assets	26	281.235.324	212.862.628
Other Non-Current Assets	16	6.167.754	4.654.744
TOTAL ASSETS		4.985.433.774	4.007.975.350

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Audited Consolidated Statement of Financial Position As at 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

	Note References	Current Period Audited 31 December 2014	Prior Period Audited 31 December 2013
LIABILITIES			
Current Liabilities		1.201.245.567	936.244.985
Short-term Financial Liabilities	28	235.273.838	157.226.761
Short-term Portion of Long-term Financial Liabilities	28	48.608.193	22.832.818
Trade Payables			
Trade Payables to Related Parties	4-5	22.690.240	16.265.805
Trade Payables to Third Parties	5	584.535.619	377.182.297
Employee Benefit Obligations	15	22.998.224	19.226.599
Other Liabilities			
Other Liabilities to Related Parties	4-6	306.817	30.320
Other Liabilities to Third Parties	6	475.644	418.061
Government Grants and Incentives	11	15.043.829	11.280.034
Deferred Income	8	143.632.654	214.035.003
Corporate Tax Liability	26	651.558	480.904
Short-term Provisions			
Short-term Provisions for Employee Benefits	15	33.924.548	25.395.640
Other Short-Term Provisions	13	88.902.178	88.973.470
Other Current Liabilities	16	4.202.225	2.897.273
Non-Current Liabilities		1.565.294.681	1.459.244.914
Long-term Financial Liabilities	28	195.267.475	173.227.412
Trade Payables			
Trade Payables to Related Parties	4-5	9.769.454	-
Trade Payables to Third Parties	5	57.384.419	12.163.376
Long-Term Payables			
Other Payables to Related Parties	4-6	-	-
Other Payables to Third Parties	6	31.832	30.518
Government Grants and Incentives	11	2.233.448	1.878.514
Deferred Income	8	1.170.227.711	1.162.027.069
Long-term Provisions			
Long-term Provisions for Employee Benefits	15	127.420.265	107.067.815
Other Long-Term Provisions	13	2.960.077	2.850.210

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Audited Consolidated Statement of Financial Position As at 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

	Note References	Current Period Audited 31 December 2014	Prior Period Audited 31 December 2013
EQUITY		2.218.893.526	1.612.485.451
Equity Attributable to Equity Holders of the Parent		2.218.893.526	1.611.967.650
Share Capital	17	500.000.000	500.000.000
Share Capital Adjustments	17	98.620.780	98.620.780
Other Comprehensive Income/Expense that will not to be Reclassified Subsequently to Profit or Loss			
Gain/Loss on Remeasurement of Defined Benefit Plans		(14.924.138)	(3.866.000)
Gain on Revaluation of Property	25	177.700.751	177.532.454
Other Comprehensive Income or Expenses that may be Reclassified Subsequently to Profit or Loss			
Gain on Revaluation of Available for Sale Financial Assets	25	293.018.605	-
Restricted Reserves Appropriated From Profit	17	73.708.407	69.677.755
Prior Years' Profit		740.674.202	531.921.172
Net Profit for the Period		350.094.919	238.081.489
Non-Controlling Interests		-	517.801
TOTAL LIABILITIES AND EQUITY		4.985.433.774	4.007.975.350

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Audited Consolidated Statement of Profit or Loss For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

	Note References	Current Period Audited 1 January- 31 December 2014	Prior Period Audited 1 January- 31 December 2013
PROFIT OR LOSS			
Sales Revenue	18	2.498.108.745	2.171.425.296
Cost of Sales (-)	18	(1.897.226.927)	(1.612.641.153)
		600.881.818	558.784.143
GROSS PROFIT			
General Administrative Expenses (-)	20	(124.248.781)	(103.256.327)
Marketing Expenses (-)	20	(46.531.957)	(38.427.719)
Research and Development Expenses (-)	20	(72.037.415)	(63.852.597)
Other Operating Income	21	516.009.465	317.096.874
Other Operating Expenses (-)	21	(576.641.543)	(495.310.890)
		297.431.587	175.033.484
OPERATING PROFIT			
Income from Investing Activities	22	1.914.324	10.369.803
		299.345.911	185.403.287
OPERATING PROFIT BEFORE FINANCIAL EXPENSE			
Financial Income	23	44.490.097	6.536.436
Financial Expense (-)	24	(73.482.443)	(44.595.198)
		270.353.565	147.344.525
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS			
Tax Income from Continuing Operations		79.741.354	91.202.409
- Current Corporate Tax Expense (-)	26	(1.288.840)	(735.616)
- Deferred Tax Income	26	81.030.194	91.938.025
		350.094.919	238.546.934
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS			
Profit for the Period Attributable to:			
Non-Controlling Interest		-	465.445
Owners of the Company	27	350.094.919	238.081.489
		350.094.919	238.546.934
Earnings per 100 Shares			
	27	0,70	0,48

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Audited Consolidated Statement of Other Comprehensive Income For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

	Note References	Current Period Audited 1 January-31 December 2014	Prior Period Audited 1 January-31 December 2013
PROFIT FOR THE PERIOD		350.094.919	238.546.934
OTHER COMPREHENSIVE INCOME			
Items that will not to be Reclassified Subsequently in Profit or Loss		(11.058.138)	187.010.667
Gain on Revaluation of Property		-	187.053.422
Gain/Loss on Remeasurement of Defined Benefit Plans	15	(13.822.672)	11.637.395
Deferred Tax Expense (-)/Income	26	2.764.534	(11.680.150)
Items that may be reclassified subsequently to profit or loss		293.018.605	-
Gain on Revaluation of Available for Sale Financial Assets	25	308.440.637	-
Deferred Tax Expense	25-26	(15.422.032)	-
OTHER COMPREHENSIVE INCOME		281.960.467	187.010.667
TOTAL COMPREHENSIVE INCOME		632.055.386	425.557.601
Total Comprehensive Income for the Period Attributable to:			
Non-Controlling Interests		-	633.742
Owners of the Company		632.055.386	424.923.859
		632.055.386	425.557.601

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Audited Consolidated Statement of Changes in Equity For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

	Share Capital	Share Capital Adjustments	Other Comprehensive Income/Expense that will not be Reclassified Subsequently to Profit or Loss		Other Comprehensive Income or Expenses that may be Reclassified Subsequently to Profit or Loss Accumulated Gain on Revaluation of Available for Sale Financial Assets	Restricted Reserves Appropriated From Profit	Retained Earnings			Non-Controlling Interests	Total
			Accumulated Gain/Loss on Revaluation of Property	Accumulated Gain/Loss on Remeasurement of Defined Benefit Plans			Prior Years' Profit	Net Profit for the Period	Equity Attributable to Owners of the Company		
Balance as of 1 January 2013 (Restated)	500.000.000	98.620.780	-	(13.175.916)	-	52.071.680	321.656.271	306.378.584	1.265.551.399	544.192	1.266.095.591
Transfers	-	-	-	-	-	17.595.111	210.283.473	(227.878.584)	-	-	-
Total Comprehensive Income	-	-	177.532.454	9.309.916	-	-	-	238.081.489	424.923.859	633.742	425.557.601
Dividends	-	-	-	-	-	-	(2.500)	(78.500.000)	(78.502.500)	-	(78.502.500)
Transactions with non-controlling interests	-	-	-	-	-	10.964	(16.072)	-	(5.108)	(660.133)	(665.241)
Balance as of 31 December 2013 (Closing Balance)	500.000.000	98.620.780	177.532.454	(3.866.000)	-	69.677.755	531.921.172	238.081.489	1.611.967.650	517.801	1.612.485.451
Balance as of 1 January 2014 (Opening Balance)	500.000.000	98.620.780	177.532.454	(3.866.000)	-	69.677.755	531.921.172	238.081.489	1.611.967.650	517.801	1.612.485.451
Transfers	-	-	-	-	-	3.983.319	209.098.170	(213.081.489)	-	-	-
Total Comprehensive Income	-	-	-	(11.058.138)	293.018.605	-	-	350.094.919	632.055.386	-	632.055.386
Dividends	-	-	-	-	-	-	-	(25.000.000)	(25.000.000)	-	(25.000.000)
Transactions with Non-Controlling Interests ^(*)	-	-	168.297	-	-	47.333	(345.140)	-	(129.510)	(517.801)	(647.311)
Balance as of 31 December 2014 (Closing Balance)	500.000.000	98.620.780	177.700.751	(14.924.138)	293.018.605	73.708.407	740.674.202	350.094.919	2.218.893.526	-	2.218.893.526

(*) The shares of HAVELSAN-Hava Elektronik San. ve Tic. A.Ş., ASELSANNET and Undersecretariat for Defense Industries ("UDI") in MIKES have been purchased by the Company.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Audited Consolidated Statement of Cash Flows For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

	Note References	Current Period Audited 1 January-31 December 2014	Prior Period Audited 1 January-31 December 2013
Cash Flows from Operating Activities		281.181.796	119.119.644
Net Profit for the Period		350.094.919	238.546.934
Adjustments to Reconcile Profit for the Period		86.595.687	36.956.083
- Adjustments Related to Depreciation and Amortization Expenses	9-10	96.668.194	82.553.064
- Adjustments Related to Research and Development Expenses	10	28.848.597	12.669.413
- Provision for Employee Benefits		22.006.430	26.760.530
- Allowance for Doubtful Trade Receivables/(Reversals)			
- Net	5	(1.362.431)	236.057
- Provision for Guarantee Expenses/(Reversals)			
- Net	13	(1.224.624)	14.701.052
- Provision for Delay Penalties and Fines - Net	13	(1.663.532)	(8.688.682)
- Provision for Lawsuits - Net	13	491.300	(400.995)
- Allowance for Impairment on Inventories - Net	7	5.893.311	(146.730)
- Other Provisions		2.435.431	408.990
- Adjustments Related to Interest Income	21	(5.139.957)	(7.317.219)
- Adjustments Related to Interest Expense	24	9.141.206	7.875.925
- Unrealized Foreign Exchange Differences Related to Financial Borrowings - Net		12.157.440	9.876.890
- Adjustments Related to Tax Expense/Income	26	(79.741.354)	(91.202.409)
- Income from Investing Activities	22	(1.914.324)	(10.369.803)
Movements in Working Capital		(147.243.054)	(149.864.490)
- Adjustments for Increase/Decrease in Inventory		(197.470.244)	(60.879.919)
- Adjustments for Increase/Decrease in Trade Receivables		(157.665.875)	(322.590.805)
- Adjustments for Increase/Decrease in Other Receivables		39.548.892	(38.825.365)
- Prepaid Expenses	8	(31.550.856)	(10.850.762)
- Other Current Assets		(14.641.234)	(8.565.564)
- Other Non-Current Assets		(1.513.010)	(2.130.888)
- Adjustments for Increase/Decrease in Trade Payables	5	268.768.254	99.004.665
- Adjustments for Increase/Decrease in Other Payables		335.394	(548.461)
- Employee Benefit Obligations	15	3.771.625	3.141.533
- Government Grants and Incentives	11	4.118.729	4.938.676
- Deferred Income	8	(62.201.707)	188.349.739
- Other Liabilities		1.304.952	(907.339)
- Adjustments for Other Increase/Decrease in Working Capital		(47.974)	-

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Audited Consolidated Statement of Cash Flows For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

	Note References	Current Period Audited 1 January-31 December 2014	Prior Period Audited 1 January-31 December 2013
Net Cash Provided by Operations		289.447.552	125.638.527
Interest Paid		(3.851.753)	(4.649.858)
Interest Received		3.651.927	4.440.998
Tax Payments/Refunds		(1.118.186)	(558.987)
Employee Termination Benefits Paid	15	(6.947.744)	(5.751.036)
Cash Flows from Investing Activities		(324.166.611)	(287.103.946)
Proceeds from Disposal of Property, Plant and Equipment and Intangible Assets		321.849	222.194
Payments for Property, Plant and Equipment	9	(157.533.671)	(172.368.006)
Payments for Intangible Assets - Net	10	(133.811.624)	(123.956.048)
Change in Financial Investments		(35.057.489)	(1.371.889)
Dividends Received	22	1.914.324	10.369.803
Cash Flows from Financing Activities		71.242.262	(80.865.451)
Proceeds from Borrowings		523.895.854	612.218.353
Repayments of Borrowings		(427.540.525)	(614.542.147)
Repayments of Obligations Under Finance Leases		(113.067)	(39.157)
Dividend Payments	17	(25.000.000)	(78.502.500)
NET CHANGE IN CASH AND CASH EQUIVALENTS		28.257.447	(248.849.753)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	32	103.683.817	352.533.570
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	32	131.941.264	103.683.817

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (the Company) was established in order to engage principally in research, development, engineering, production, tests, assembly, integration and sales, after sales support, consultancy and trading activities, to provide and conduct all sorts of activities for project preparation, engineering, consultancy, service providing, training, contracting, construction, publishing, trading, operation and internet services regarding various software, equipment, system, tools, material and platforms in the fields of electrical, electronics, microwave, electro-optics, guidance, computer, data processing, encryption, security, mechanics, chemistry and related subjects within the army, navy, air force and aerospace applications to all institutions, organizations, companies and individual consumers.

The Company was established at the end of 1975 as a corporation by Turkish Land Forces Foundation. The Company commenced its production activities in Macunköy facilities in early 1979.

The Company has been organized in five main divisions: The Communication and Information Technologies Division (HBT), Radar, Electronic Warfare Systems (REHİS), Defense Systems Technologies (SST), Microelectronics, Guidance & Electro-Optics Division (MGEO) and Transportation, Security, Energy & Automation Systems (UGES) based on the investment and production requirements of projects carried out.

The Company has ten separate Vice General Directorates besides Sector Presidency General Management including Financial Management Vice General Directorate, Support Services Vice General Directorate, Strategy and Business Development Vice General Directorate and Human Resources Management Vice General Directorate.

The Company performs production and engineering operations in three different locations in Ankara Macunköy, Akyurt and Gölbaşı while General Management is organized in Ankara Macunköy.

Turkish Armed Forces Foundation ("TAFF") is the main shareholder of the Company which holds 84,58% of the capital and maintains control of the Company. TAFF was established on 17 June 1987 with the law number 3388, in order to manufacture or import guns, equipment and appliances needed for Turkish Armed Forces.

The Company is registered to Capital Markets Board of Turkey ("CMB") and its shares are quoted in Borsa İstanbul A.Ş. since 1990. 15,30% of the shares of the Company are publicly held as of 31 December 2014 (31 December 2013: 15,30%) (Note 17).

The Company's trade registry address is Mehmet Akif Ersoy Mahallesi 296. Cadde No:16 06370 Yenimahalle/Ankara. Average number of personnel employed by the Group as of 31 December 2014 is 5.335 (31 December 2013: 5.343).

The Company, and its consolidated subsidiaries Mikrodalga Elektronik Sistemleri Sanayi ve Ticaret A.Ş. ("MİKES") and AselsanNet Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Şti. ("ASELSANNET"), operating in the same sector with the Company, are collectively referred as the "Group" in the accompanying notes.

The main operations of the companies included in the consolidation and the share percentage of the Group for these companies are as follows:

Company name	Operation	31 December 2014	31 December 2013
		Share (%)	
MİKES ^(*)	Research and development (R&D) on microwave projects	100,00	96,37
ASELSANNET	Communication systems	100,00	100,00

^(*) The shares of HAVELSAN-Hava Elektronik San. ve Tic. A.Ş., ASELSANNET and UDI in MİKES have been purchased by the Company.

The subsidiaries Mikroelektronik Ar-Ge Tasarım ve Ticaret Limited Şirketi and ASELSAN Bakü Company which are classified as non-current financial assets are excluded from consolidation as their inclusion does not materially affect the financial results of the Group.

The Company opened up branch as "Aselsan Elektronik Sanayi ve Ticaret A.Ş. EP Co." in 2011 in South Africa and as "ASELSAN Macedonia Corridore 10 Highway Electronic Road Toll System Project" in 2014 in Macedonia. Branches are excluded from consolidation as its inclusion does not materially affect the financial results of the Group.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

In addition, the joint ventures IGG ASELSAN Integrated Systems LLC (United Arab Emirates) and Kazakhstan ASELSAN Engineering LLP (Kazakhstan) established in 2011 and ASELSAN Middle East PSC LTD (Jordan) established in 2012, which are classified as non-current financial assets are excluded from consolidation as their inclusion does not materially affect the financial results of the Group.

In March 2014, "ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş." company was established. 50% of the company belongs to ASELSAN and other 50% belongs Sivas Optik Malzemeleri Sanayi ve Ticaret A.Ş. After the completion of the facility in Sivas, production of sensitive optic technology which is designed by ASELSAN and produced abroad for Ultraviolet, visible and close infrared bands will be realized. The company is excluded from consolidation as its inclusion does not materially affect the financial results of the Group.

In November 2014, "ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş." company was established. 50% of the company belongs to ASELSAN and other 50% belongs to İhsan Doğramacı Bilkent Üniversitesi. The firm, which is established for production of micro and nano sized devices which contain all kinds of conductive and similar technological materials, is excluded from consolidation as its inclusion does not materially affect the financial results of the Group.

Approval of the consolidated financial statements

These consolidated financial statements have been approved for issue by the Board of Directors with the decision number 849 on 6 March 2015. No authority other than Board of Directors and General Assembly has the right to amend the consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 The basis of presentation

Statement of Compliance to TAS

The company and its subsidiaries registered in Turkey, MİKES and ASELSANNET maintain their books of account and prepare their statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles in the Turkish Commercial Code ("TCC") and tax legislation in Turkish Lira ("TL").

The accompanying consolidated financial statements are prepared in accordance with the requirements of CMB Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and Interpretations ("TAS") that has been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

In addition, the consolidated financial statements and its notes are presented in accordance with the format requirements as announced by the CMB's statement on 7 June 2013.

The consolidated financial statements are prepared according to historical cost accounting except for the revaluation of lands and some financial investments. In order to determine the historical cost, the fair values paid for assets are considered.

Functional Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment ("Functional Currency") in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional, and presentation currency of the Company and the reporting currency for the consolidated financial statements.

Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 declared that companies operating in Turkey which prepare their financial statements in accordance with CMB Accounting Standards, effective 1 January 2005, will not be subject to the application of inflation accounting. Consequently, in the accompanying financial statements No 29 "Financial Reporting in Hyperinflationary Economies" (IAS/TAS 29) was not applied since 1 January 2005.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

Comparative Information and Restatement of Prior Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with prior period in order to give information about financial position and performance trends. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified and the significant changes are explained.

Basis of Consolidation

Subsidiaries:

The details of the subsidiaries of the Group are as follows:

Subsidiaries	Location	Functional Currency	Group's proportion of ownership and voting power held (%)		Principal Activity
			31 December 2014	31 December 2013	
MİKES (*)	Turkey	TL	100	96,37	Microwave R&D projects
ASELSANNET	Turkey	TL	100	100	Telecommunication systems
ASELSAN Bakü (**)	Azerbaijan	AZN	100	100	Marketing and sales of the group products
Mikroelektronik Ar-Ge Tasarım ve Tic. Ltd Şti. (**)	Turkey	TL	85	85	Microelectronic R&D projects

(*) The shares of HAVELSAN-Hava Elektronik San. ve Tic. A.Ş., ASELSANNET and UDI in MİKES have been purchased by the Company.

(**) Excluded from group consolidation as it does not significantly affect the consolidated financial results.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders,
- potential voting rights held by the Company, other vote holders or other parties,
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Company has, or does have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meeting.

Consolidation of subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if results in the non-controlling interests having a deficit balance.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in Joint Ventures:

The details of the Group's interests in joint ventures as of 31 December 2014 and 31 December 2013 are as follows:

Joint Ventures	Principal Activity	Country of incorporation and operation	Group's proportion of ownership and voting power held (%)	
			31 December 2014	31 December 2013
ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş.	Sensitive optic technologies	Turkey	50	-
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş.	Production of micro and nano sized devices which contains semi-conductive and similar technological materials	Turkey	50	-
IGG Aselsan Integrated Systems LLC	Marketing and sales of the group products	U.A.E.	49	49
Kazakhstan Aselsan Engineering LLP	Marketing and sales of the group products	Kazakhstan	49	49
Aselsan Middle East PSC LTD	Marketing and sales of the group products	Jordan	49	49

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

IGG ASELSAN Integrated Systems LLC (United Arab Emirates) and Kazakhstan ASELSAN Engineering LLP (Kazakhstan) established in 2011, ASELSAN Middle East PSC LTD (Jordan) established in 2012, ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş. and ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş. established in 2014 which are classified as non-current financial assets and accounted with acquisition cost after impairment, are not included in the consolidation, as their effect on the consolidated financial statements of the Group are deemed to be immaterial.

2.2 Changes in the Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

ROKETSAN-Roket Sanayi ve Ticaret A.Ş. which is classified as financial investment of Group is revalued and presented with its fair value as of 31 December 2014. Gain on revaluation of ROKETSAN is accounted as revaluation reserve under equity. Since the change in accounting policy is considered as revaluation in accordance with TAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", prior period consolidated financial statements are not restated and change is applied prospectively.

2.3 Changes in the Accounting Estimates and Errors

If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively. The Group has no significant changes to the accounting estimates in the current period.

The estimated errors in the accounting policies are applied retrospectively and the prior year's financial statements are restated accordingly.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

2.4 New and Revised Turkish Accounting Standards

a) Amendments to TASs affecting amounts reported and the disclosures in the financial statements

None.

b) New and Revised TASs applied with no material effect on the financial statement which are effective since 2014

TFRS 10, 11, TAS 27 (Amendments)	<i>Investment Entities</i> ¹
TAS 32 (Amendments)	<i>Offsetting Financial Assets and Financial Liabilities</i> ¹
TAS 36 (Amendments)	<i>Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
TAS 39 (Amendments)	<i>Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
TFRS Comment 21	<i>Levies</i> ¹
TAS 21 (Amendments)	<i>The Effects of Changes in Foreign Exchange Rate</i> ²

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective as of 12 November 2014 which is the publication date of amendment.

Amendments to TFRS 10, 11, TAS 27 *Investment Entities*

This amendment with the additional provisions of TFRS 10 provide investment entities (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

Amendments to TAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to TAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of net-off" and "simultaneous realization and settlement".

Amendments to TAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

As a consequence of TFRS 13 "Fair Value Measurements", there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of TAS 36 have been changed.

Amendments to TAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

This amendment to TAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

TFRS Comment 21 *Levies*

TFRS Comment 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

Amendments to TAS 21 *The Effects of Changes in Foreign Exchange Rate*

TAS 21 The Effect of Changes in Foreign Exchange Rate's (b) subparagraph of paragraph 39 is amended as follows:

"(b) Income and expenses for each statement of comprehensive income or separate income statement presented (ie including comparatives) shall be translated at exchange rates at the dates of the transactions."

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

c) New and revised TASs in issue but not yet effective

The Group has not applied the following new and revised TASs that have been issued but are not yet effective.

TFRS 9	<i>Financial Instruments</i>
TFRS 9 ve TFRS 7 (Amendments)	<i>Mandatory Effective Date of TFRS 9 and Transition Disclosures</i>
TAS 19 (Amendments)	<i>Employee Benefits¹</i>
Annual Improvements to 2010-2012 cycle	<i>TFRS 2, TFRS 3, TFRS 8, TFRS 13, TAS 16 and TAS 38, TAS 24, TFRS 9, TAS 37, TAS 39¹</i>
Annual Improvements to 2011-2013 cycle	<i>TFRS 3, TFRS 13, TAS 40¹</i>
TAS 16 ve TAS 38 (Amendments)	<i>Clarification of Acceptable Methods of Depreciation and Amortization²</i>
TAS 16 ve TAS 41 (Amendments) with TAS 1, TAS 17, TAS 23, TAS 36 and TAS 40 (Amendments)	<i>Agriculture: Bearer Plants²</i>
TFRS 11 ve TFRS 1 (Amendments)	<i>Accounting of Acquisition of Interests in a Joint Operation²</i>

¹ Effective for financial periods beginning on or after 30 June 2014.

² Effective for financial periods beginning on or after 31 December 2015.

TFRS 9 *Financial Instruments*

TFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. TFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Amendments to TFRS 9 and TFRS 7 *Mandatory Effective Date of TFRS 9 and Transition Disclosures*

On November 2013, it is tentatively decided that the mandatory effective date of TFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. The amendment has not published by POA yet.

Amendments to TAS 19 *Employee Benefits*

The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When contributions are eligible for the practical expedient, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered.

Annual Improvements to 2010-2012 Cycle

TFRS 2: Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.

TFRS 3: Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

TFRS 8: Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

TFRS 13: Clarify that issuing TFRS 13 and amending TFRS 9 and TAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

TAS 16 and TAS 38: Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

TAS 24: The amendment clarifies the identification and disclosure requirements for related party transactions that take place when key management personnel services are provided by a management entity that is not otherwise a related party of the reporting entity.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

Annual Improvements to 2011-2013 Cycle

TFRS 3: The amendment clarifies that it only excludes the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself from the scope of TFRS 3.

TFRS 13: This amendment clarifies the scope of exception in paragraph 52.

TAS 40: This amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property.

Amendments to TAS 16 and TAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*

This amendment clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Group, assesses the effects of standards on financial situation and performance.

Amendments to TFRS 11 and TFRS 1 Accounting for Acquisition of Interests in Joint Operations

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in TFRS 3 and other TASs, except for those principles that conflict with the guidance in TFRS 11
- disclose the information required by TFRS 3 and other TASs for business combinations.

Amendments in TFRS 11 cause amendments in related parts of the TFRS 1.

2.5 Summary of Significant Accounting Policies

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity;
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

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(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Transaction with related party is a transfer of resources, services or liabilities between the reporting entity and the related party, disregarding it is with or without a value.

Revenue

Revenue is measured at the fair value of the received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date,
- Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold and
- Revenue from time and material contracts is recognized at the contractual rates as labor hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognized in accordance with the accounting policy outlined in the following pages.

Dividend and interest revenue

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

Rental income from properties is recognized on a straight-line basis over the term of the relevant lease.

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Inventories

Inventories are stated at the lower of cost and net realizable value. Inventories are valued on the basis of the project according to the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to realize sales. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Property, Plant and Equipment

Lands held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such lands is recognized in revaluation fund accumulated in equity.

A decrease in the carrying amount arising on the revaluation of such land is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Freehold land is not depreciated. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. Unless the asset is disposed, no transfer is realized from revaluation reserves to the profit reserves.

Property, plant and equipment other than lands are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Borrowing cost is capitalized when the assets took a substantial period of time to get ready for their intended use or sale.

These assets are classified to fixed assets when the assets are completed and ready for their intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. If the ownership of the finance lease is not obvious at the end of the leasing period, it is depreciated over their expected useful lives or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The maintenance and repair expenses arising from changing any part of the fixed assets can be realized if the economic benefit of the asset is increased. All other expenses are recorded in the expense accounts in the consolidated income statement when they are realized.

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The useful lives of fixed assets are as follows:

	<u>Useful life</u>
Buildings	10-30 years
Land improvements	13-15 years
Machinery and equipment	4-20 years
Motor vehicles	4-8 years
Furniture and fixtures	2-15 years
Other tangible assets	5-10 years

Intangible Assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in accounting estimates for on a prospective basis.

Trademarks and licenses

Acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Internally generated intangible assets - R&D expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale,
- The intention to complete the intangible asset and use or sell it,
- The ability to use or sell the intangible asset,
- How the intangible asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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The useful lives of the intangible assets are as follows:

	<u>Useful life</u>
Rights	2-6 years
Computer software	1-2 years
Development expenditures	1-5 years

Impairment of Assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Financial Instruments

Financial assets

Financial assets are classified into the following specified categories: financial assets as "at fair value through profit or loss" (FVTPL), "held-to-maturity investments", "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised on transaction (delivery date) date. Financial assets are measured at fair value on initial recognition. In the initial recognition of financial assets and financial liabilities that are not classified their fair value through profit or loss, transaction costs directly attributable to the acquisition of related assets are added to the fair value.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as FVTPL unless they are designated as hedges. Financial assets stated at fair value, gains and losses resulting from valuation are recognized in the statement of profit or loss.

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Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being AFS financial assets and are stated at fair value at the end of each reporting period. The Group also has investments in unquoted equity investments that are not traded in an active market but that are also classified as AFS financial assets and stated at cost value at the end of each reporting period since their fair value can't be reliably measured. The Group also has AFS financial assets stated at fair value in the consolidated financial tables since their fair value can be reliably measured. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method less any impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial Liabilities

Financial liabilities are recognized at fair value in the initial recognition. In the initial recognition of financial liabilities that are not classified their fair value through profit or loss, transaction costs directly attributable to the undertaking related liabilities are added to the fair value. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Finance Lease Operations

Leasing- the group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

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Foreign Currency Transactions

Foreign currency transactions and balances

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the operational results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation for consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies in foreign currencies (other than TL) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items (including advances) denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Earnings per Share

Earnings per share, disclosed in the consolidated statement of profit or loss, are determined by dividing the net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the weighted average number of shares is computed by taking into consideration of the retrospective effects of the share distributions.

Events After the Reporting Periods

Events after the reporting periods include all events that take place between the balance sheet date and the date of authorization for the release of the financial statements, although the events occurred after the announcements related to the net profit/loss or even after the public disclosure of other selective financial information.

In the case that events occur requiring an adjustment, the Group adjusts the amount recognized in its consolidated financial statements to reflect the adjustments after the balance sheet date.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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Operating Segments

Operations of the Group are technical system design, development, production, and after-sales services for various products for defense industry. Group's operates mainly for the Ministry of Defense via Communication and Information Technologies (HBT), Defense System Technologies (SST), Radar Electronic Warfare and Intelligence Systems (REHİS), Microelectronics, Guidance and Electro-optics (MGEO), Transportation, Security, Energy & Automation Systems Business Sector (UGES). The Group does not report segmental information in accordance with TFRS 8 "Operating Segments" considering the operations and organizational structure not reporting according to segments due to its nature of products and services, its customer segment or type for its products and services, not having a profit based reporting structure and having project based reporting structure to the Board of Directors based on contracts not segments. The operations of the sectors are generally determined according to the volume of orders at the Group level instead of differences of fields of operations. Due to the level of orders new sectors may be established in order to increase the management activities.

Construction Contracts

Cost of contracts is recognized when incurred. These costs include the costs that relate directly to the specific contract and the costs that are attributable to contract activity in general and can be allocated to the contract and the other costs that are specifically chargeable to the customer under the terms of the contract. A major part of the costs include the development expenses of the projects.

Where the outcome of a construction contract cannot be estimated reliably, revenue is recognized to the extent of contract costs incurred that it is probable will be recoverable.

Where the outcome of a construction contract can be estimated reliably, revenue is recognized over the terms of the contract term. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Each project contract is evaluated by the technical teams regarding the expected change in the upcoming costs and the profitability of the contracts that is determined as of the balance sheet dates. If purchases and collections made by more than one currency regarding a contract, then the upcoming purchasing and invoicing is forecasted based on the amount stated in the contract and the weighted average currency in the following financial years. Besides the amounts of the contracts subjected to escalation as of the balance sheet date, are estimated based on the contract details.

Government grants, if any, are also taken into consideration while calculating the profitability of the contract. The grants are recognized by netting-off from the costs in accordance with TAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

The Group presents the amount as an asset if the gross amount due from customers for customer work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within "Trade Receivables".

The Group presents the amount as a liability if the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses).

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Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Taxes Calculated on the Basis of the Company's Earnings

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Tax, provided that it is not related with a transaction directly recognized in equity, is classified in the statement of profit or loss. Otherwise, tax is recognized in equity.

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Employee Benefits

Termination and retirement benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognized in the consolidated financial statements represents the present value of the defined benefit obligation.

The actuarial gains and losses are recognized in other comprehensive income.

Dividend and bonus plans

The Group recognizes a liability and an expense for bonuses and dividend, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

The Group recognizes the cost of providing additional retirement bonuses comprising two months gross salary to employees who have completed twenty years of service and earned the right to retirement benefits. These compensations are deducted from the net present values of the unrealized liability amounts and are recognized in the accompanying consolidated financial statements.

Statement of Cash Flows

Current period statement of cash flows is categorized and reported as operating, investing and financing.

Netting-off

Financial assets and liabilities are disclosed with their net amounts in the balance sheet if there is a legal right to net-off or recoverability is possible, or if acquisition of asset and performance of obligation are realized simultaneously.

Non-Current Assets Held for Sale

Non-current assets are classified as "assets held for sale" when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. The assets can be a part of the Entity, disposal group as a single fixed asset.

2.6 Critical Accounting Judgments and Estimates

Critical judgments in applying the Group's accounting policies

In the process of applying the accounting policies, which are described in note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

Deferred tax

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then provision is set for some portion of or all of the deferred tax assets. (Note 26).

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Liabilities with respect to employment benefits

The Group makes various assumptions on discount, inflation rate, wage increase rate, the probability of quitting voluntarily for calculating provisions for severance and retirement pays (Note 15).

Useful lives of tangible and intangible assets

The Group amortizes the non-current assets based on the useful lives of those assets stated in the accounting policies (Note 9-10).

Percentage of completion

The Group uses the percentage of completion method in accounting for contracts in accordance with TAS 11 "Construction Contracts". Use of percentage of completion method requires the Group to estimate the services performed to date as a proportion of the total services to be performed. Moreover for projects that are estimated to end up with a loss, provision for loss is calculated (Note 19). The estimation of the total cost of the projects consists of the risks that may cause major changes in the adjustments of the fair values of assets and liabilities for the subsequent periods.

Estimation of foreign exchange rates

If purchases and collections made by more than one currency regarding the projects, in accordance with TAS 11 the upcoming purchasing and invoicing is forecasted based on the amount stated in the contract and the weighted average currency in the following financial years.

Escalation

As of the balance sheet dates, the amounts of the projects subject to escalation are calculated with respect to the provisions of the contracts and estimated in accordance with TAS 11 "Construction Contracts".

Provision for guarantee expenses

The Group calculates provision, according to the budgeted estimations for specific parts of the sales under the scope of warranty that needs specific guarantee calculations, and according to the realizations in previous years for the remaining part of the sales. The guarantee period for the projects completed by the Group are 2 years on the average after the delivery (Note 13).

Development expenses

As of balance sheet dates, the Management assess the recoverability of the expenses regarding the Group's development activities. These expenses are started to be amortized with respect to their useful lives when their development phases are completed and it becomes probable that there is an associated economic benefit. When the development phase is completed and no economic benefit is foreseen, the related expenses are recognized in consolidated income statement (Note 10).

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3. INTERESTS IN OTHER ENTITIES

a) Subsidiaries

Details of the Group's material subsidiaries as of 31 December 2014 and 31 December 2013 are as follow:

Name of Subsidiary	Place of incorporation and operation	Currency	Group's proportion of ownership and voting power held (%)		Principal Activity
			31 December 2014	31 December 2013	
MİKES	Turkey	TL	100	96,37	R&D on microwave projects
ASELSANNET	Turkey	TL	100	100	Communication systems
ASELSAN Bakū	Azerbaijan	AZN	100	100	Marketing and sales of group products
Mikroelektronik Ar-Ge Tasarım ve Tic. Ltd Şti.	Turkey	TL	85	85	R&D on microelectronic projects

Composition of the Group

Explained in Note 1.

Change in the Group's ownership interest in a subsidiary:

Group purchased remaining shares of MİKES and increased its shares in subsidiary to 100%.

b) Joint Ventures

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The joint ventures IGG Aselsan Integrated Systems LLC (United Arab Emirates) and Kazakhstan Aselsan Engineering LLP (Kazakhstan) established in 2011 and Aselsan Middle East PSC LTD (Jordan) established in 2012, and ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş. and ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş. established in 2014 which are recorded as long-term financial investments, were excluded from the consolidation and as they do not significantly affect the consolidated results of the Group.

c) Marketable Securities

The shares of the Company in "Havaalanı İşletme ve Havaçılık Endüstrileri A.Ş." was sold to TAFF in November 2014, as required by "Sale of Shares Contract".

4. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation, and are not disclosed in this note.

The trade receivables from related parties usually arise from sales activities and are due 1 - 4 months after the date of sales. The receivables are unsecured by nature and bear no interest.

The trade payables to related parties usually arise from the purchase activities and are due 1 - 3 months after the date of purchase. The receivables bear no interest.

Total amount of salaries and other short-term benefits paid for key management for the year ended as of 31 December 2014 is TL 5.873.910 (31 December 2013: TL 4.555.169).

The details of transactions between the Group and other related parties are disclosed in the following page.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

	31 December 2014				
	Receivables				
	Balances with related parties	Short-term		Long-term	
		Trading	Advances given	Non-trading	Trading
<u>Main shareholder</u>					
TAFF- Turkish Armed Forces Foundation	5.734	-	-	-	-
<u>Other shareholder</u>					
Axa Sigorta A.Ş.	-	-	-	-	-
<u>Main shareholder's subsidiaries and associates</u>					
HAVELSAN EHSİM-Hava Elektronik Harp Sis. Müh. Tic. A.Ş.	-	32.370	-	-	740.788
HAVELSAN-Hava Elektronik San. ve Tic. A.Ş.	1.628.237	580.868	-	-	-
HTR-HAVELSAN Teknoloji Radar San. ve Tic. A.Ş.	-	-	-	-	-
İŞBİR-İşbir Elektrik San. A.Ş.	-	543.920	-	-	-
Mercedes-Benz Türk A.Ş.	-	-	-	-	-
Netaş Telekomünikasyon A.Ş.	-	4.353.095	-	-	8.832.266
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	10.255.264	6.259.085	-	-	1.040.392
TUSAŞ-Türk Havacılık ve Uzay San. A.Ş.	5.527.419	-	-	11.357.844	-
<u>Subsidiaries</u>					
ASELSAN Bakü	265.345	-	-	189.433	-
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	137.114	775.363	8.284	-	-
<u>Marketable securities</u>					
ASPILSAN-Askeri Pil San. ve Tic. A.Ş.	-	37.567	-	-	-
ROKETSAN-Roket San. ve Tic. A.Ş.	21.826.561	1.324.342	-	20.308.575	291.024.933
<u>Branch</u>					
ASELSAN South Africa Branch	-	640.557	-	-	-
ASELSAN Macedonia Branch	-	-	-	-	-
<u>Joint ventures and its related parties</u>					
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş.	-	-	11.462	-	-
International Golden Group	43.238.775	-	-	-	-
IGG ASELSAN Integrated Systems LLC	2.328.656	1.940.427	-	-	-
Kazakhstan Engineering	-	-	-	-	-
Kazakhstan ASELSAN Engineering LLP	21.551.579	-	-	-	-
ASELSAN Middle East PSC LTD	13.528.142	-	-	-	-
	<u>120.292.826</u>	<u>16.487.594</u>	<u>19.746</u>	<u>31.855.852</u>	<u>301.638.379</u>

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

31 December 2014					
Receivables			Payables		
Short-term			Long-term		
Trading	Advances received	Non-trading	Trading	Advances received	
-	-	-	-	-	-
-	-	51.581	-	-	-
1.935.252	-	-	-	-	-
27.619	5.122.993	-	5.000.206	27.712	-
935.075	-	-	-	-	-
1.251.651	-	-	-	-	-
-	-	-	-	-	-
5.553.303	-	-	-	-	-
13.265	4.703.835	-	-	-	-
1.367.648	6.443.528	-	3.377.455	38.593.327	-
203.572	-	-	-	-	-
1.137.445	-	-	-	-	-
1.610.723	-	-	-	-	-
8.327.273	3.866.209	-	1.391.793	46.399.872	-
-	-	255.236	-	-	-
3.687	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
323.727	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
22.690.240	20.136.565	306.817	9.769.454	85.020.911	-

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

	31 December 2013				
	Receivables				
	Balances with related parties	Short-term		Long-term	
		Trading	Advances given	Non-trading	Trading
<u>Main Shareholder</u>					
TAFF- Turkish Armed Forces Foundation	3.207.644	-	-	-	-
<u>Other shareholder</u>					
Axa Sigorta A.Ş.	-	-	-	-	-
<u>Main shareholder's subsidiaries and associates</u>					
ESDAŞ-Elektronik Sis. Destek San. ve Tic. A.Ş.	21.239	-	-	-	-
HAVELSAN EHSİM-Hava Elektronik Harp Sis. Müh. Tic. A.Ş.	-	1.017.379	-	-	698.852
HAVELSAN-Hava Elektronik San. ve Tic. A.Ş.	4.757.070	682.547	-	1.513.701	-
HTR-HAVELSAN Teknoloji Radar San. ve Tic. A.Ş.	-	75.791	-	-	-
İŞBİR-İşbir Elektrik San. A.Ş.	-	1.601.645	-	-	-
Mercedes-Benz Türk A.Ş.	-	72.094	-	-	-
Netaş Telekomünikasyon A.Ş.	-	3.342.557	-	-	9.428.841
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	2.779.311	9.519.270	-	-	957.570
TUSAŞ-Türk Havacılık ve Uzay San. A.Ş.	11.315.342	-	-	435.006	-
<u>Subsidiaries</u>					
ASELSAN Bakü	16.312	-	-	332.402	-
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	-	1.260.456	-	-	-
<u>Marketable Securities</u>					
ASPİLSAN-Askeri Pil San. ve Tic. A.Ş.	-	37.567	-	-	-
ROKETSAN-Roket San. ve Tic. A.Ş.	19.158.362	6.035.892	-	15.490.970	168.352.153
<u>Branch</u>					
ASELSAN South Africa Branch	-	792.439	90.646	-	-
<u>Joint ventures and its related parties</u>					
International Golden Group	55.710.667	-	-	8.617.662	-
IGG ASELSAN Integrated Systems LLC	2.980.497	2.321.156	-	-	-
Kazakhstan ASELSAN Engineering LLP	38.899.450	-	32.680.623	-	-
ASELSAN Middle East PSC LTD	6.311.145	-	-	3.146	-
	<u>145.157.039</u>	<u>26.758.793</u>	<u>32.771.269</u>	<u>26.392.887</u>	<u>179.437.416</u>

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

31 December 2013

			Payables		
Short-term			Long-term		
Trading	Advances received	Non-trading	Trading	Advances received	
-	43.306	-	-	-	-
1.948	-	30.320	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
44.899	-	-	-	-	1.545.427
503.104	-	-	-	-	-
659.529	-	-	-	-	-
1.193.994	-	-	-	-	-
8.435.774	-	-	-	-	-
-	10.643.377	-	-	-	-
1.114.573	889.434	-	-	-	4.164.209
-	-	-	-	-	-
-	-	-	-	-	-
717.378	-	-	-	-	-
3.594.606	1.635.803	-	-	-	32.092.157
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
16.265.805	13.211.920	30.320	-	-	37.801.793

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

<u>Transactions with related parties</u>	<u>1 January- 31 December 2014 Purchases</u>	<u>1 January- 31 December 2013 Purchases</u>
<u>Main Shareholder</u>		
TAFF- Turkish Armed Forces Foundation	513.900	524.580
<u>Main shareholder's subsidiaries and associates</u>		
ESDAŞ-Elektronik Sis. Destek San. ve Tic. A.Ş.	186.484	321.830
HAVELSAN EHSİM-Hava Elektronik Harp Sis. Müh. Tic. A.Ş.	2.971.977	842.420
HAVELSAN-Hava Elektronik San. ve Tic. A.Ş.	1.046.226	2.889.537
HTR-HAVELSAN Teknoloji Radar San. ve Tic. A.Ş.	4.376.733	3.169.534
İŞBİR-İşbir Elektrik San. A.Ş.	6.655.545	3.485.237
Mercedes-Benz Türk A.Ş.	-	1.845.996
Netaş Telekomünikasyon A.Ş.	28.477.183	21.888.888
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	6.338.440	279.636
TUSAŞ-Türk Havacılık ve Uzay San. A.Ş.	430.992	164.993
<u>Subsidiaries</u>		
ASELSAN Bakü	199.191	340.281
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	6.302.810	4.280.597
<u>Marketable securities</u>		
ASPILSAN-Askeri Pil San. ve Tic. A.Ş.	4.113.217	2.733.635
ROKETSAN-Roket San. ve Tic. A.Ş.	90.357.325	60.542.851
<u>Branch</u>		
ASELSAN South Africa Branch	5.139.334	3.668.989
ASELSAN Macedonia Branch	149.049	-
<u>Joint ventures and its related parties</u>		
IGG ASELSAN Integrated Systems LLC	1.495.684	2.707.606
Kazakhstan Engineering	323.727	-
Kazakhstan ASELSAN Engineering LLP	2.202.156	2.868
ASELSAN Middle East PSC LTD	-	1.745.790
	<u>161.279.973</u>	<u>111.435.268</u>

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

<u>Transactions with related parties</u>	<u>1 January - 31 December 2014 Sales</u>	<u>1 January - 31 December 2013 Sales</u>
<u>Main shareholder</u>		
TAFF- Turkish Armed Forces Foundation	1.728.166	4.782.175
<u>Main shareholder's subsidiaries and associates</u>		
ESDAŞ-Elektronik Sis. Destek San. ve Tic. A.Ş.	5.658	18.988
HAVELSAN-Hava Elektronik San. ve Tic. A.Ş.	15.876.455	19.666.170
HTR-HAVELSAN Teknoloji Radar San. ve Tic. A.Ş.	3.989	8.095
İŞBİR-İşbir Elektrik San. A.Ş.	23.881	-
Netaş Telekomünikasyon A.Ş.	264.626	-
STM-Savunma Teknolojileri Müh. ve Tic. A.Ş.	56.836.714	18.701.468
TUSAŞ-Türk Havacılık ve Uzay San. A.Ş.	40.094.357	39.818.362
TEI-TUSAŞ Motor Sanayii A.Ş.	19.321	-
<u>Subsidiaries</u>		
ASELSAN Bakü	329.067	121.294
Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti.	225.303	199.091
<u>Marketable securities</u>		
ROKETSAN-Roket San. ve Tic. A.Ş.	54.032.435	76.253.422
<u>Joint ventures and its related parties</u>		
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş.	9.714	-
International Golden Group	11.120.195	27.067.397
IGG ASELSAN Integrated Systems LLC	671.208	1.084.717
Kazakhstan ASELSAN Engineering LLP	31.508.645	53.981.448
ASELSAN Middle East PSC LTD	21.582.615	12.612.298
	<u>234.332.349</u>	<u>254.314.925</u>

The transaction with related parties are generally due to the purchase and sale of materials and services for the projects which are within the scope of TAS 11.

<u>31 December 2013</u>		<u>Interest</u>		<u>TL</u>
<u>Non-trade receivables from related parties (*)</u>	<u>Maturity</u>	<u>Rate (%)</u>	<u>Currency</u>	<u>Equivalent</u>
<u>Joint Ventures</u>				
Kazakhstan Aselsan Engineering LLP	January 2014	3,8-4,41	USD	32.680.623
<u>Branch</u>				
Aselsan South Africa Branch	January 2014	4,76	ZAR	90.646
				<u>32.771.269</u>

(*) Collection of non-trade receivables from related parties was realized in 2014.

The amount of the letter of guarantees given in favor of subsidiary included in consolidation, MİKES, is TL 57.972.500 (31 December 2013: TL 53.357.500) (Note 14).

The amount of the letter of guarantees given in favor of subsidiary not included in consolidation, Mikroelektronik Ar-Ge Tas. ve Tic. Ltd. Şti, is TL 988.000 (31 December 2013: TL 988.000) (Note 14).

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

5. TRADE RECEIVABLES AND PAYABLES

a) Trade receivables

Details of Group's trade receivables are as follows:

	31 December 2014	31 December 2013
<u>Short-term trade receivables</u>		
Trade receivables	619.128.868	455.002.013
Trade receivables from related parties (Note 4)	118.949.325	144.530.836
Uninvoiced receivables from construction contracts in progress	199.262.681	157.715.412
Uninvoiced receivables from construction contracts in progress - Related party (Note 4)	1.343.501	626.203
Notes receivable	7.620.624	2.019.535
Discount on trade and notes receivable (-)	(1.723.416)	(1.458.796)
Other trade receivables	-	33.088
Allowance for doubtful trade receivables (-)	(859.465)	(2.221.896)
	943.722.118	756.246.395
	31 December 2014	31 December 2013
<u>Long-term trade receivables</u>		
Trade receivables	25.229.201	48.386.358
Trade receivables from related parties (Note 4)	1.851.982	564.224
Uninvoiced receivables from construction contracts in progress	253.913.575	265.534.652
Uninvoiced receivables from construction contracts in progress - Related party (Note 4)	30.003.870	25.828.663
Notes Receivable	250.286	-
Discount on trade and notes receivable (-)	(800.757)	(1.577.190)
	310.448.157	338.736.707

The movement for the Group's allowance for doubtful receivables is as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	2.221.896	1.985.839
Provision for the period	176.975	236.914
Provision released	(1.539.406)	(857)
Closing balance	859.465	2.221.896

The distribution of trade receivables for different sectors is as follows:

	31 December 2014	31 December 2013
Public sector	631.736.127	561.853.149
Private sector	354.313.904	266.514.035
Receivables from companies operating abroad	268.120.244	266.615.918
Total	1.254.170.275	1.094.983.102

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

Receivables from public sector represent the receivables that are due from Ministry of Defense, Undersecretariat for Defense Industries ("UDI") and other public enterprises. The Group's operations are based on contracts. Generally, no collaterals are obtained from the customers.

The characteristics and level of risks with respect to the trade receivables are disclosed in Note 29.

b) Trade payables

Details of Group's trade payables are as follows:

	31 December 2014	31 December 2013
<u>Short-term trade payables</u>		
Trade payables	496.803.620	279.899.705
Payables related to construction contracts in progress	81.825.586	90.119.079
Payables related to construction contracts in progress- Related party (Note 4)	1.690.669	1.466.911
Due to related parties (Note 4)	20.999.571	14.798.894
Notes payable (*)	6.262.069	6.748.296
Discount on trade payables and notes payable (-)	(2.226.048)	(1.729.224)
Other trade payables	1.870.392	2.144.441
	607.225.859	393.448.102
	31 December 2014	31 December 2013
<u>Long-term trade payables</u>		
Trade payables	913.646	6.141.424
Payables related to construction contracts in progress	56.484.713	842.181
Payables related to construction contracts in progress - Related party (Note 4)	9.769.454	-
Notes payable (*)	-	6.262.069
Discount on trade payables and notes payable (-)	(13.940)	(1.082.298)
	67.153.873	12.163.376

(*) Consists of notes payable given for the land acquired in Başkent Organized Industrial Zone.

6. OTHER RECEIVABLES AND PAYABLES

a) Other receivables

	31 December 2014	31 December 2013
<u>Other current receivables</u>		
Receivables from tax office (*)	31.149.198	42.557.843
Other receivables from related parties (Note 4)	19.746	32.771.269
Deposits and guarantees given	471.561	348.801
Other (**)	10.313.127	5.835.083
	41.953.632	81.512.996

(*) Mainly due to Value Added Tax (VAT) returns and which are expected to be offset in the subsequent period.

(**) Consists of project delay penalties which will be revoked to companies and blocked receivables due to Eximbank loan.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

	31 December 2014	31 December 2013
<u>Other non current receivables</u>		
Deposits and guarantees given	261.988	197.085
b) Other payables		
	31 December 2014	31 December 2013
<u>Other current payables</u>		
Other current payables	455.152	393.947
Deposits and guarantees received	20.492	24.114
Other current payables due to related parties (Note 4)	306.817	30.320
	782.461	448.381
	31 December 2014	31 December 2013
<u>Other non-current payables</u>		
Deposits and guarantees received	31.832	30.518

7. INVENTORIES

	31 December 2014	31 December 2013
Raw materials	470.031.395	332.256.254
Work in progress	242.988.123	222.874.833
Finished goods	59.647.788	41.372.762
Other inventories	19.165.516	12.804.786
Trade goods	8.245.865	7.007.692
Goods in transit ^(*)	51.292.906	37.585.022
Allowance for impairment on inventories (-)	(13.945.117)	(8.051.806)
	837.426.476	645.849.543

^(*) Goods in transit includes the goods for which significant risks and rewards of ownership has passed to the Group due to their shipping terms.

The Group has allocated an impairment allowance for inventories in cases when their net realizable values are lower than their costs or when they are classified as slow-moving inventories.

In the current year, the Group has identified certain inventory items where the net realizable values were below the cost of the related inventory. Consequently, the Group has set allowance for impairment amounting to TL 5.918.748 (31 December 2013: TL 7.879.728) of inventory.

The Group reversed TL 25.437 (31 December 2013: TL 8.026.458) of inventory allowance set in previous years. The amount reversed has been included in "cost of sales" in the statement of profit or loss.

	1 January- 31 December 2014	1 January- 31 December 2013
<u>The movement of the allowance for impairment on inventories:</u>		
Opening balance	8.051.806	8.198.536
Provision released	(25.437)	(8.026.458)
Provision for the period	5.918.748	7.879.728
Closing balance	13.945.117	8.051.806

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

8. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2014	31 December 2013
Short-term prepaid expenses		
Order advances given for inventory purchases	148.528.650	222.473.292
Short-term order advances given to related parties for inventory purchases (Note 4)	16.487.594	26.758.793
Prepaid expenses	34.795.385	28.137.062
	<u>199.811.629</u>	<u>277.369.147</u>
Long-term prepaid expenses		
Order advances given for inventory purchases	47.374.080	65.361.147
Long-term order advances given to related parties for inventory purchases (Note 4)	301.638.379	179.437.416
Order advances given for fixed asset purchases	33.187.181	24.325.736
Prepaid expenses	1.348.385	5.315.352
	<u>383.548.025</u>	<u>274.439.651</u>
Short-term deferred income		
Order advances received	122.461.442	192.644.590
Order advances received from related parties (Note 4)	20.136.565	13.211.920
Deferred income	1.034.647	8.178.493
	<u>143.632.654</u>	<u>214.035.003</u>
Short-term order advances received consists of the advances received from 44 customers (31 December 2013: 43 customers) of which first 10 customers form 96,68% (31 December 2013: 98,75%) of the total advances.		
Long-term deferred income		
Order advances received	1.085.204.567	1.124.223.301
Order advances received from related parties (Note 4)	85.020.911	37.801.793
Deferred income	2.233	1.975
	<u>1.170.227.711</u>	<u>1.162.027.069</u>
Long-term order advances received consists of the advances received from 25 customers (31 December 2013: 25 customers) of which first 10 customers form 99,31% (31 December 2013: 99,84%) of the total advances.		

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings (**)	Machinery and equipment
Cost value and revaluation				
Opening balance as of 1 January 2014	210.733.964	15.243.274	145.914.815	521.373.071
Additions	-	4.262.184	40.609.159	41.695.240
Disposals	-	-	-	(715.259)
Transfers	-	-	128.248.831	4.717.036
Closing balance as of 31 December 2014	210.733.964	19.505.458	314.772.805	567.070.088
Accumulated Depreciation				
Opening balance as of 1 January 2014	-	7.434.007	53.087.327	314.559.078
Charge for the period	-	752.053	5.581.787	34.553.124
Disposals	-	-	-	(700.885)
Closing balance as of 31 December 2014	-	8.186.060	58.669.114	348.411.317
Net book value as of 31 December 2014	210.733.964	11.319.398	256.103.691	218.658.771

(*) Includes the mould model devices manufactured by the Group with net book value of TL 33.340.649 (31 December 2013: TL 17.889.997).

(**) The finance expenses capitalized in the current period is TL 3.426.792 and capitalized foreign exchange loss is TL 12.173.360 (31 December 2013: Finance expense amounting to TL 4.658.230 and foreign exchange gain TL 17.082.807).

	Land	Land improvements	Buildings	Machinery and equipment
Cost Value				
Opening balance as of 1 January 2013	19.680.542	14.067.553	145.621.719	466.325.620
Additions	4.000.000	1.194.382	293.096	56.448.824
Revaluation fund	187.053.422	-	-	-
Disposals	-	(18.661)	-	(1.597.863)
Transfers	-	-	-	196.490
Closing balance as of 31 December 2013	210.733.964	15.243.274	145.914.815	521.373.071
Accumulated Depreciation				
Opening balance as of 1 January 2013	-	6.789.474	48.106.382	285.285.614
Charge for the period	-	655.962	4.980.945	30.766.458
Disposals	-	(11.429)	-	(1.492.927)
Transfers	-	-	-	(67)
Closing balance as of 31 December 2013	-	7.434.007	53.087.327	314.559.078
Net book value as of 31 December 2013	210.733.964	7.809.267	92.827.488	206.813.993

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Vehicles	Furniture and fixtures	Other fixed assets (*)	Leasehold improvements	Construction in progress	Total
3.534.318	91.803.991	46.704.261	5.198.282	182.651.707	1.223.157.683
306.247	28.724.159	20.712.745	59.452	33.337.845	169.707.031
(350.441)	(228.084)	(1.213.777)	(356.730)	(46.959)	(2.911.250)
-	37.400	-	-	(133.003.267)	-
3.490.124	120.337.466	66.203.229	4.901.004	82.939.326	1.389.953.464
2.881.294	71.235.901	28.800.200	3.171.676	-	481.169.483
325.967	10.510.188	5.272.093	409.201	-	57.404.413
(333.427)	(220.973)	(1.209.713)	(124.856)	-	(2.589.854)
2.873.834	81.525.116	32.862.580	3.456.021	-	535.984.042
616.290	38.812.350	33.340.649	1.444.983	82.939.326	853.969.422

Vehicles	Furniture and fixtures	Other fixed assets (*)	Leasehold improvements	Construction in progress (**)	Total
3.552.228	87.113.705	39.615.189	5.173.031	68.089.222	849.238.809
8.593	5.546.031	7.088.571	25.251	114.846.065	189.450.813
-	-	-	-	-	187.053.422
(26.503)	(863.325)	-	-	(79.009)	(2.585.361)
-	7.580	501	-	(204.571)	-
3.534.318	91.803.991	46.704.261	5.198.282	182.651.707	1.223.157.683
2.516.695	66.392.027	25.331.928	2.723.953	-	437.146.073
391.102	5.676.616	3.467.771	447.723	-	46.386.577
(26.503)	(832.308)	-	-	-	(2.363.167)
-	(434)	501	-	-	-
2.881.294	71.235.901	28.800.200	3.171.676	-	481.169.483
653.024	20.568.090	17.904.061	2.026.606	182.651.707	741.988.200

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The breakdown of the depreciation expenses with respect to the plant, property and equipment is as follows:

	31 December 2014	31 December 2013
Marketing expenses	507.836	465.462
General administrative expenses	8.382.617	5.225.753
Inventories ^(*)	20.170.206	17.950.069
Cost of sales	28.343.754	22.745.293
	<u>57.404.413</u>	<u>46.386.577</u>

^(*) Significant portion of the amount classified under inventories is related with cost of sales as part of TAS 11 "Construction Contracts".

Fair value measurement of the Group's freehold land and buildings

The Group's freehold lands are stated at their revalued amounts. The fair value measurements of the Group's freehold lands as at 31 December 2013 were performed by Yatırım Gayrimenkul Değerleme A.Ş. independent valuers not related to the Group. Yatırım Gayrimenkul Değerleme A.Ş. is authorized by CMB for property revaluation. The fair value of the freehold land was determined based on "Market Comparable Approach".

The gains on revaluation of lands attributable to owners of the company in the amount of TL 186.876.267, net of taxes of TL 177.532.454 has been included as a component of other comprehensive income. There are no restrictions on the distribution of the revaluation surplus to the equity holders of the Group.

Details of the Group's freehold lands and information about the fair value hierarchy as at 31 December 2013 are as follows:

	31 December 2013	Fair value as at 31 December 2013		
		Level 1 TL	Level 2 TL	Level 3 TL
Macunköy	131.213.964	-	-	131.213.964
Akyurt	72.140.000	-	-	72.140.000
Oğulbey	7.165.000	-	-	7.165.000
Gölbek	200.000	-	-	200.000
Denizli	15.000	-	-	15.000
	<u>210.733.964</u>	-	-	<u>210.733.964</u>

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10. INTANGIBLE ASSETS

	Rights	Development Costs	Other intangible assets (*)	Total
Cost Values				
Opening balance as of 1 January 2014	18.205.397	435.023.896	60.460.117	513.689.410
Additions	5.327.239	120.190.139	8.294.246	133.811.624
Disposals	-	(28.848.597)	(49.869)	(28.898.466)
Transfers	384.703	(384.703)	-	-
Closing balance as of 31 December 2014	23.917.339	525.980.735	68.704.494	618.602.568
Accumulated Amortization				
Opening balance as of 1 January 2014	18.035.677	75.705.620	47.140.468	140.881.765
Charge for the period	292.534	28.769.355	10.201.892	39.263.781
Disposals	-	-	(49.416)	(49.416)
Closing balance as of 31 December 2014	18.328.211	104.474.975	57.292.944	180.096.130
Net book value as of 31 December 2014	5.589.128	421.505.760	11.411.550	438.506.438

(*) Other intangible assets include computer software licenses.

	Rights	Development Costs	Other intangible assets (*)	Total
Cost Values				
Opening balance as of 1 January 2013	18.185.015	337.190.061	50.346.071	405.721.147
Additions	25.858	113.815.180	10.115.010	123.956.048
Disposals	(5.476)	(15.981.345)	(964)	(15.987.785)
Closing balance as of 31 December 2013	18.205.397	435.023.896	60.460.117	513.689.410
Accumulated Amortization				
Opening balance as of 1 January 2013	17.971.864	50.791.899	39.269.887	108.033.650
Charge for the period	69.289	28.225.653	7.871.545	36.166.487
Disposals	(5.476)	(3.311.932)	(964)	(3.318.372)
Closing balance as of 31 December 2013	18.035.677	75.705.620	47.140.468	140.881.765
Net book value as of 31 December 2013	169.720	359.318.276	13.319.649	372.807.645

(*) Other intangible assets include computer software licenses.

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The breakdown of amortization expenses related to intangible assets is as follows:

	31 December 2014	31 December 2013
Marketing expenses	40.398	11.756
General administrative expenses	2.733.871	2.804.097
R&D expenses	29.909.640	28.231.991
Inventories ^(*)	4.877.085	2.922.900
Cost of sales	1.702.787	2.195.743
	39.263.781	36.166.487

^(*) Significant portion of the amount classified under inventories is related with cost of goods sold as part of TAS 11 "Construction Contracts".

11. GOVERNMENT GRANTS AND INCENTIVES

The deferred incentive income shown under short and long-term liabilities in the consolidated statement of financial position is as follows:

	31 December 2014	31 December 2013
Current government grants and incentives	15.043.829	11.280.034
Non-current government grants and incentives	2.233.448	1.878.514
	17.277.277	13.158.548

As part of the Decision on Government Incentives on Investments, there are 4 investment incentives taken from General Directorate of Turkish Undersecretariat of the Treasury. The incentives allow VAT exemption and customs tax exemption. VAT exemption is applied in both domestic and international purchases while customs tax exemption is applied for international purchases.

In Corporate Tax Calculation, no tax payable is calculated because of R&D deduction and deductions due to investment incentive certificates cannot be applied. For this reason, no deferred tax effect is calculated for the temporary differences arising from investment incentives.

Government grants show the unearned proportion of the grant after the costs related with the completed parts of the projects are deducted from the grants taken by the Group for the ongoing projects that was obtained as of the balance sheet date.

The incentive obtained consists of the incentives that are accrued in accordance with TÜBİTAK's R&D recognition letter prepared with respect to the Group's ongoing projects.

The Group obtains capital support from "Support and Price Stabilization Fund" of Central Bank of Turkey via Undersecretariat of Foreign Trade's consent. The Scientific and Technological Research Council of Turkey (TÜBİTAK) and Technology Development Foundation of Turkey (TTGV) act as intermediary in accordance with Communiqué No:98/10 published by the Money-Loans and Coordination Board.

In accordance with Law on Technology Development Zones numbered 4691, Group utilizes withholding income tax incentive, social security premium incentive and stamp tax exceptions. Such incentives are utilized through not paying withholding income tax incentive, social security premium incentive and stamp tax exceptions calculated based on R&D and software personnel payroll. Income generated in accordance with law on Technology Development Zones numbered 4691 is exempt from corporate income tax until 31 December 2023.

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Development Zones numbered 4691 is exempt from corporate income tax until 31 December 2023.

The R&D expenditure deduction rate used as a tax benefit has been increased from 40% to 100% in accordance with the amended article 10 of the Tax Law numbered 5520, the amended article 89 of Law numbered 193 and 5746 with respect to the Support of R&D Activities. The aforementioned law was enacted as of April 2008 after its issue in the Official Gazette dated 12 March 2008, numbered 26814. R&D expenditure may be used as a tax deduction in the determination of the taxable income. If taxable income levels are not sufficient to absorb all available tax deductions, any unused R&D tax deduction is allowed to be carried forward to the next tax period. The remaining amount from previous year is increased according to revaluation ratio defined at Tax Procedure Law. According to the item No. 8 of the related law, all the costs related with R&D can be subjected to deduction until 31 December 2023.

12. BORROWING COSTS

As of 31 December 2014 total borrowing cost regarding the assets that necessarily take a substantial period of time to get ready for their intended use or sale is TL 37.341.189 (31 December 2013: TL 21.741.037).

Foreign currency exchange loss related to the investment loan received from Undersecretariat for Defense Industries amounting to USD 87.000.000 (2011: USD 40.000.000 2013: USD 25.000.000; 2014: USD 22.000.000) is recognized under the balance sheet in accordance with the limits defined by TAS 23 "Borrowing Costs". In August 2014 USD 8.000.000 principal payment of USD 40.000.000 loan is made. If foreign currency exchange loss exceeds this limit, it will be recognized in the statement of profit or loss. In the current period, total amount of the foreign currency exchange loss related with USD 40.000.000 portion of UDI loan is capitalized since the amount has not exceeded the capitalization ceiling as of 31 December 2014. Related with USD 25.000.000 portion of the UDI loan, since the total amount of the foreign currency exchange loss exceeded the capitalization ceiling, loss amounting to TL 84.188 and related with USD 22.000.000 UDI loan, the total amount of the foreign currency exchange loss exceeded the capitalization ceiling, loss amounting to TL 3.433.052 is recognized in the statement of profit or loss for the year ended 31 December 2014.

13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

	31 December 2014	31 December 2013
Other short-term provisions		
Provision for delay penalties and fines ^(*)	7.465.249	9.238.648
Provision for lawsuits	936.873	445.573
Provision for guarantee expenses ^(**)	71.402.241	72.626.865
Provision for expenses related to costing	1.826.999	1.386.218
Provision for insurance expense	6.132.220	4.135.875
Other	1.138.596	1.140.291
	88.902.178	88.973.470

^(*) Provision for delay penalties and fines are calculated in accordance with the delay interest rate indicated in the terms of contract due to the delays resulting from non-compliance with the delivery terms outlined in the contract.

^(**) Provision for guarantee expenses is calculated according to the budgeted estimations for specific parts of the sales under the scope of warranty that needs specific guarantee calculations, and according to the realizations in previous years for the remaining part of the sales. The guarantee period for the projects completed by the Group are 2 years on the average after the delivery.

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(Amounts are expressed in Turkish Lira (TL).)

The movement of the provision for delay penalties and fines is as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	9.238.648	11.738.479
Provision for the period	5.757.192	9.392.825
Provision released (-)	(7.530.591)	(11.892.656)
Closing balance	7.465.249	9.238.648

The movement of the provision for lawsuits is as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	445.573	846.568
Provision for the period	703.199	95.486
Provision released	(211.899)	(496.481)
Closing balance	936.873	445.573

The movement of the provision for guarantee expenses is as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	72.626.865	57.925.813
Provision for the period	55.673.430	52.765.333
Provision released	(56.898.054)	(38.064.281)
Closing balance	71.402.241	72.626.865

	31 December 2014	31 December 2013
Other long-term provisions		
Provision for delay penalties and fines	2.960.077	2.850.210

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(Amounts are expressed in Turkish Lira (TL).)

The movement of the provision for delay penalties and fines is as follows:

	1 January- 31 December 2014	1 January- 31 December 2013
Opening balance	2.850.210	9.039.061
Provision for the period	109.867	-
Provision released	-	(6.188.851)
Closing balance	2.960.077	2.850.210

b) Lawsuits

As of 31 December 2014 and 31 December 2013, according to the declarations written by the legal counselors, the lawsuits and executions in favor of and against the Group are as follows:

Description	31 December 2014	31 December 2013
a) Ongoing lawsuits filed by the Group	4.693.387	3.757.739
b) Execution proceedings carried on by the Group	5.811.678	5.048.050
c) Ongoing lawsuits filed against the Group	936.873	445.573
d) Lawsuits finalized in favor of the Group within the period	119.195	1.019.456
e) Lawsuits finalized against the Group within the period	300.415	430.231

14. COMMITMENTS AND CONTINGENCIES

a) Letters of guarantees received

	31 December 2014	31 December 2013
Letters of guarantees received from the customers	1.944.400	1.388.066
Letters of guarantees received from the suppliers	601.879.993	567.030.787
Collaterals received from the customers	8.462.100	17.630.657
Collaterals received from the suppliers	4.851.036	3.773.895
Guarantee received from the customers	6.000	6.000
Guarantee received from the suppliers	68.040	64.460
Mortgages received from the customers	450.000	599.600
	617.661.569	590.493.465

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(Amounts are expressed in Turkish Lira (TL).)

b) Deposits and guarantees given

The collaterals/pledges/mortgages ("CPM") given by the Group as of 31 December 2014 and 31 December 2013 is as in the following page:

<u>31 December 2014</u>	<u>TL Equivalent</u>	<u>TL</u>	<u>USD</u>	<u>EURO</u>
A. Total amount of CPM given on behalf of the legal entity				
- Collateral	6.037.294.933	810.262.582	1.520.234.817	594.501.289
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation				
- Collateral	57.972.500	-	25.000.000	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
C. Total amount of CPM given to maintain operations and collect payables from third parties				
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
D. Total amount of other CPM given				
i. Total Amount of CPM on behalf of the main partner				
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C				
- Collateral	988.000	988.000	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.				
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
Total	<u>6.096.255.433</u>	<u>811.250.582</u>	<u>1.545.234.817</u>	<u>594.501.289</u>

The ratio of the given other CPM to the Group's equity as of 31 December 2014 is 0,04%.

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(Amounts are expressed in Turkish Lira (TL).)

<u>31 December 2013</u>	<u>TL Equivalent</u>	<u>TL</u>	<u>USD</u>	<u>EURO</u>
A. Total amount of CPM given on behalf of the legal entity				
- Collateral	5.248.241.056	765.818.119	1.368.123.658	501.172.743
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
B. Total amount of CPM given on behalf of the subsidiaries included in full consolidation				
- Collateral	53.357.500	-	25.000.000	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
C. Total amount of CPM given to maintain operations and collect payables from third parties				
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
D. Total amount of other CPM given				
i. Total Amount of CPM on behalf of the main partner				
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
ii. Total amount of CPM given on behalf of other group companies that do not cover B and C				
- Collateral	988.000	988.000	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
iii. Total amount of CPM on behalf of third parties that do not cover C.				
- Collateral	-	-	-	-
- Pledge	-	-	-	-
- Mortgage	-	-	-	-
Total	<u>5.302.586.556</u>	<u>766.806.119</u>	<u>1.393.123.658</u>	<u>501.172.743</u>

The ratio of the given other CPM to the Group's equity as of 31 December 2013 is 0,06%.

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15. EMPLOYMENT BENEFITS

a) Payables for employment benefits

	31 December 2014	31 December 2013
Due to personnel	2.477.425	2.168.590
Social security premiums payable	10.601.982	9.565.489
Taxes and funds payable	9.918.817	7.492.520
	<u>22.998.224</u>	<u>19.226.599</u>

b) Short-term provisions for employment benefits

	31 December 2014	31 December 2013
Provision for annual leave and overtime	33.924.548	25.395.640

The movement of the provision for annual leave and overtime is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	25.395.640	18.656.924
Provision released	(13.985.592)	(11.023.503)
Provision for the period	22.514.500	17.762.219
Closing balance	<u>33.924.548</u>	<u>25.395.640</u>

c) Long-term provisions for employment benefits

	31 December 2014	31 December 2013
Provision for severance pay	116.485.609	97.341.311
Provision for retirement pay	10.934.656	9.726.504
	<u>127.420.265</u>	<u>107.067.815</u>

The movement for provisions for severance and retirement pays is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Opening balance	107.067.815	104.434.432
Actuarial gain/loss	13.822.672	(11.637.395)
Cost of service	10.087.303	6.469.027
Interest cost	3.390.219	13.552.787
Severance and retirement benefits paid	(6.947.744)	(5.751.036)
Closing balance	<u>127.420.265</u>	<u>107.067.815</u>

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Retirement pay provisions:

Under the Turkish Labor Law, the Group is required to pay employment termination benefits to each employees who retire after 25 year service by completing at least one year service (for women 58 and for men 60 age), whose employment is terminated, who is called to military duty, and who passed away.

The amount payable consists of one month's salary limited to a maximum of TL 3.438,22 (31 December 2013: TL 3.254,44) for each period of service at 31 December 2014.

Ceiling amount of TL 3.541,37 which is in effect since 1 January 2015 is used in the calculation of Group's provision for retirement pay liability.

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans.

Compensation pension provisions:

Compensation pension provision is booked for every personnel with service of more than 20 years within the Group.

Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2014 (%)	31 December 2013 (%)
Interest rate	8,85	10,07
Inflation rate	6,72	6,37
Discount ratio	2,00	3,48
Estimation of probability of retirement ratio	98,64	98,92

16. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2014	31 December 2013
VAT carried forward ^(*)	169.514.149	156.974.183
Other VAT	7.750.293	8.145.372
Prepaid taxes and funds	-	234.325
Job advances given	969.452	358.294
Blocked deposits ^(**)	22.163.233	18.805.762
Other	421.421	384.646
	<u>200.818.548</u>	<u>184.902.582</u>

^(*) To the taxpayers (Contractor/the Group) who deliver goods and give services to the Natural Security Institutions (such as MOD and UDI) that are to be approved by the customers (contacting authority) in terms of content and nature, Value Added Tax (VAT) is being exempted as of 1 March 2009 in accordance with General Declaration on Value Added Tax with the Serial Number 112 in the Official Gazette as of 12 February 2009. These amounts are usually not collected, but they are offset with other tax liabilities.

^(**) These amounts consist of the blocked deposits related to 1007 and the European Union projects.

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b) Other non-current assets

	31 December 2014	31 December 2013
Prepaid taxes and funds	6.167.754	4.654.744

c) Other current liabilities

	31 December 2014	31 December 2013
Taxes and funds payable	3.855.604	2.814.105
Other	346.621	83.168
	4.202.225	2.897.273

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Capital

Shareholders	Share (%)	31 December 2014	Share (%)	31 December 2013
Turkish Armed Forces Foundation	84,58	422.912.812	84,58	422.912.812
Axa Sigorta A.Ş.	0,12	577.846	0,12	577.846
Quoted in stock exchange	15,30	76.509.342	15,30	76.509.342
Nominal capital	100	500.000.000	100	500.000.000
Share capital adjustment		98.620.780		98.620.780
Inflation adjusted capital		598.620.780		598.620.780

The Group's nominal capital is TL 500.00.000 that consists of 50.000.000.000 shares each of which is 1 kuruş (1% of 1 Turkish Lira). A total of 30.272.727.273 of the shares consists of Group A and 19.727.272.727 of the shares consists of Group B shares. All of the shares are nominative. 6 member of the Board of Directors are assigned from the holders of nominative Group A type shareholders or from the ones nominated by Group A type shareholders. Moreover, when new shares are issued the proportion of nominative Group A shares prevalent in the issued capital are preserved. In accordance with the CMB's requirements, except for Independent members of the Board of Directors, Group A shares are nominative and Members of the Board are assigned from the holders of A type shareholders or from the ones nominated by A type shareholders.

Restricted profit reserves

The legal reserve is appropriated out of statutory profits of the year at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital accordance with the TCC. After the 5% of the dividend is paid to shareholders, 10% of the total distributed to shareholders and employees can be added in the other legal reserve.

As of 31 December 2014, The Group's restricted reserves set aside from profit consists of the legal reserves. The total of the Group's legal reserves are TL 73.708.407 (31 December 2013: TL 69.677.755).

Retained Earnings

Accumulated profits apart from the net profit for the year and extraordinary reserves which is accumulated profit by nature are shown under the retained earnings. As of 31 December 2014 the extraordinary reserves balance presented in retained earnings is TL 559.092.120 (31 December 2013: TL 508.504.057). According to the statutory records, the Company's profit for the year is TL 184.598.383 TL (31 December 2013: TL 79.566.382) and its other funds available for profit distribution is TL 579.989.599 (31 December 2013: TL 521.044.181).

	31 December 2014	31 December 2013
Capital reserves and ve extraordinary reserves	579.989.599	521.044.181

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

Profit distribution

Publicly traded companies perform dividend distribution in accordance with Dividend Communiqué No. II-19.1 of CMB effective as of 1 February 2014.

Shareholders, distribute dividend with general assembly decision, within the context of profit distribution policies set by general assembly and related regulations. As part of the communiqué, no specific minimum distribution ratio is indicated. Companies pay dividend as defined in their articles of association or dividend distribution policies.

In the Annual Meeting dated 31 March 2014 based on the consolidated financial statements, the General Assembly of the Company has decided to allocate capital reserve amounting to TL 3.978.319 of the TL 238.081.489 which is based on the profit distribution, and to distribute TL 25.000.000 in cash to shareholders for dividend payment by leaving the amount of TL 209.103.170 within the Group. Thus, the cash dividend amount for 1 TL nominal value per share is TL 0,05 (31 December 2013: TL 0,157).

Besides, in the Annual Meeting of ASELSANNET dated 14 March 2014, General Assembly of the company has decided to distribute dividend amounting to TL 100.000 and allocate capital reserve amounting to TL 5.000. As a result total amount of the funds remaining within the Group after profit distribution and transfers is TL 208.998.170 (31 December 2013: TL 210.233.473)

The dividend paid to shareholders during 2014 is TL 0,05 per 100 shares (total dividend paid is TL 25.000.000) (31 December 2013: TL 0,0157 per 100 shares, total dividend paid TL 78.500.000). The Group Management plans to distribute a dividend of TL 0,05 per 100 shares with the Board of Members Minute dated 6 March 2015 with respect to the current year. This dividend payment will be subject to the shareholders' approval in the General Assembly, and it has not been recognized as a liability in the financial statements yet. Total expected dividend to be paid is TL 25.000.000.

18. SALES REVENUE AND COST OF SALES

	1 January- 31 December 2014	1 January- 31 December 2013
a) Sales Revenue		
Domestic sales	2.040.277.265	1.773.479.945
Export sales	459.653.673	398.126.535
Other revenues	78.066	1.388.349
Sales returns (-)	(664.534)	(541.838)
Sales discounts (-)	(1.235.725)	(892.138)
Other discounts (-)	-	(135.557)
	2.498.108.745	2.171.425.296
b) Cost of Sales (-)		
Cost of raw materials used	798.604.248	609.698.452
Personnel expenses	85.120.704	80.606.786
Production overheads	141.463.718	147.396.557
Change in work in progress	(20.113.290)	(67.088.288)
Change in finished goods	(18.275.026)	(4.349.520)
Development expenses (*)	685.192.101	583.051.423
Cost of services given	72.559.596	93.941.713
Cost of merchandise goods sold	16.073.433	18.072.977
Cost of other sales	136.601.443	151.311.053
	1.897.226.927	1.612.641.153

(*) Development expenses consist of raw material, design, personnel, amortization and depreciation expenses. Total development expenses amounting to TL 685.192.101 (2013: TL 583.051.423) comprise labour costs worth TL 294.632.603 (2013: TL 244.881.598).

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Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

19. ASSETS AND LIABILITIES REGARDING CONSTRUCTION CONTRACTS

	31 December 2014	31 December 2013
Construction costs incurred plus recognized profits less recognized losses to date	6.978.059.260	5.229.103.266
Less: earned allowances	(6.643.306.055)	(4.871.826.507)
Total	334.753.205	357.276.759
Amounts due from customers under construction contracts (Note 5)	484.523.627	449.704.930
Amounts due to customers under construction contracts (Note 5)	(149.770.422)	(92.428.171)
	334.753.205	357.276.759

20. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, R&D EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
General administrative expenses (-)	(124.248.781)	(103.256.327)
Marketing expenses (-)	(46.531.957)	(38.427.719)
R&D expenses (-)	(72.037.415)	(63.852.597)
	(242.818.153)	(205.536.643)

a) General administrative expenses (-)

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	(83.024.604)	(74.537.509)
Depreciation and amortization expenses	(11.116.488)	(8.029.850)
Maintenance and repair expenses	(2.606.214)	(1.389.436)
Electricity expenses	(4.891.511)	(3.798.160)
Personnel transportation expenses	(1.688.500)	(1.582.146)
Course and seminar expenses	(695.761)	(482.943)
Insurance expenses	(1.734.500)	(1.358.453)
Personnel meal expenses	(948.748)	(871.423)
Furniture and fixture expenses	(753.665)	(162.877)
Expertise expenses	(1.909.633)	(1.484.403)
Rent expenses	(1.376.951)	(1.301.178)
Stamp duty expenses	(3.026.039)	(122.973)
Outsourcing expenses	(2.357.057)	(346.772)
Other	(8.119.110)	(7.788.204)
	(124.248.781)	(103.256.327)

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(Amounts are expressed in Turkish Lira (TL).)

b) Marketing expenses (-)

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel expenses	(12.588.899)	(12.527.664)
Stamp duty expenses	(4.935.954)	(4.532.307)
Overseas travel expenses	(2.893.038)	(1.362.469)
Exhibition expenses	(3.020.669)	(4.634.572)
Shipping and delivery expenses	(3.089.030)	(3.317.086)
Advertising expenses	(2.355.953)	(1.713.123)
Insurance expenses	(622.386)	(431.919)
Commission expenses	(9.215.415)	(4.121.389)
Depreciation and amortization expenses	(548.234)	(477.218)
Packaging expenses	(1.035.218)	(600.948)
Domestic travel expenses	(601.518)	(454.943)
Specimen expenses	(666.881)	(685.516)
Electricity expenses	(364.232)	(420.126)
Maintenance and repair expenses	(215.556)	(213.690)
Agency and entertainment expenses	(418.605)	(469.885)
Personnel transportation expenses	(249.121)	(239.533)
Rent expenses	(169.101)	(183.764)
Other	(3.542.147)	(2.041.567)
	<u>(46.531.957)</u>	<u>(38.427.719)</u>

c) R&D expenses (-)

	1 January - 31 December 2014	1 January - 31 December 2013
Equipment costs	(8.470.834)	(7.837.429)
Personnel expenses	(26.827.879)	(24.582.472)
Depreciation and amortization expenses	(29.909.640)	(28.231.991)
Other	(6.829.062)	(3.200.705)
	<u>(72.037.415)</u>	<u>(63.852.597)</u>

21. OTHER OPERATING INCOME AND EXPENSES**a) Other operating income**

	1 January- 31 December 2014	1 January- 31 December 2013
Foreign currency exchange gains from activities ^(*)	500.149.485	301.137.588
Discount income	6.106.609	3.695.019
Interest income	5.139.957	7.317.219
Provisions released	211.899	496.481
Insurance income for damages	401.550	307.220
Income from letter of guarantees and interest income due to delays	167.991	92.037
Non-cost material income	209.836	864.854
Income from personnel	336.530	522.807
Other income	3.285.608	2.663.649
	<u>516.009.465</u>	<u>317.096.874</u>

(*) Mainly consists of the foreign currency exchange valuation of advances received and advances given denominated in foreign currencies.

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(Amounts are expressed in Turkish Lira (TL).)

b) Other operating expense

	1 January- 31 December 2014	1 January- 31 December 2013
Foreign currency exchange losses from activities ^(*)	(566.017.125)	(489.560.851)
Discount expense	(6.137.949)	(3.154.482)
Damage expense	(359.833)	(254.207)
Special communication tax	(153.137)	(24.994)
Other expense and losses	(3.973.499)	(2.316.356)
	<u>(576.641.543)</u>	<u>(495.310.890)</u>

(*) Mainly consists of the foreign currency exchange valuation of advances received and advances given denominated in foreign currencies.

22. INCOME FROM INVESTING ACTIVITIES

	1 January- 31 December 2014	1 January- 31 December 2013
Gain on sale of securities	39.983	-
Dividend income	1.874.341	10.369.803
	<u>1.914.324</u>	<u>10.369.803</u>

23. FINANCIAL INCOME

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign currency exchange gain from bank loans	44.490.097	6.536.436

24. FINANCIAL EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign currency exchange losses from bank loans	(64.341.237)	(36.719.273)
Short-term borrowing expense	(6.206.648)	(6.105.776)
Long-term borrowing expense	(2.934.558)	(1.770.149)
	<u>(73.482.443)</u>	<u>(44.595.198)</u>

25. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

	31 December 2014	31 December 2013
Property Revaluation Reserve	177.700.751	177.532.454
Revaluation Reserve Available for Sale Financial Assets	293.018.605	-
	<u>470.719.356</u>	<u>177.532.454</u>

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	1 January- 31 December 2014	1 January- 31 December 2013
Property Revaluation Reserve:		
Opening balance	177.532.454	-
Transactions with non-controlling interests ^(*)	168.297	-
Fixed asset revaluation increases	-	186.876.267
Deferred tax on revaluation	-	(9.343.813)
Closing balance	177.700.751	177.532.454

^(*) The shares of HAVELSAN-Hava Elektronik San. ve Tic. A.Ş., ASELSANNET and UDI in MİKES have been purchased by the Company.

Any revaluation increase arising on the revaluation of lands is recognized in other comprehensive income and accumulated in equity. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

	1 January- 31 December 2014	1 January- 31 December 2013
Revaluation Reserve Available for Sale Financial Assets:		
Opening balance	-	-
Gain on Revaluation of Available for Financial Assets	308.440.637	-
Deferred tax on revaluations	(15.422.032)	-
Closing balance	293.018.605	-

Gain on revaluation or reclassification of available for sale financial assets arises due to revaluation of financial investments. On the subsequent sale or retirement of a revalued property, the gain attributable to the sold financial investment is classified directly under period profit or loss.

26. INCOME TAXES

	31 December 2014	31 December 2013
Corporate tax liabilities:		
Current corporate tax provision	1.288.840	735.616
Less: Prepaid taxes and funds	(637.282)	(254.712)
	651.558	480.904

	1 January - 31 December 2014	1 January - 31 December 2013
Tax income:		
Current corporate tax expense	(1.288.840)	(735.616)
Deferred tax income	81.030.194	91.938.025
	79.741.354	91.202.409

	1 January - 31 December 2014		
	Amount before tax	Tax income/ expense	Net of tax amount
Tax effects related to components of Other Comprehensive Income			
Gain on Revaluation of Available for Sale Financial Assets	308.440.637	(15.422.032)	293.018.605
Actuarial gains and losses on defined benefit plans	(13.822.672)	2.764.534	(11.058.138)
Other comprehensive income in the period	294.617.965	(12.657.498)	281.960.467

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(Amounts are expressed in Turkish Lira (TL).)

	1 January-31 December 2013		
	Amount before tax	Tax income/ expense	Net of tax amount
Tax effects related to components of Other Comprehensive Income			
Gains on revaluation of fixed assets	186.876.267	(9.352.671)	177.523.596
Actuarial gains and losses on defined benefit plans	11.637.395	(2.327.479)	9.309.916
Other comprehensive income in the period	198.513.662	(11.680.150)	186.833.512
		1 January- 31 December 2014	1 January- 31 December 2013
Tax recognized directly in equity			
Deferred tax			
Directly recognized in equity:			
- Revaluation on fixed assets		-	(9.352.671)
- Gain on revaluation of available for sale financial assets		(15.422.032)	-
- Actuarial income/expense		2.764.534	(2.327.479)
Deferred tax recognized directly in equity		(12.657.498)	(11.680.150)

Corporate tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying consolidated financial statements for the estimated change based on the Group's results for the year. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate entity bases.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2014 is 20% (31 December 2013: 20%) for the Group.

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2013: 20%) is used.

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax asset position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

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The details of deferred tax assets and liabilities of the Group are as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
Deferred tax assets:		
Discount on receivables	(623.887)	(607.197)
Costs and provision for expected losses of construction contracts	(375.298.702)	(300.837.333)
Allowance for doubtful receivables	-	(288.096)
Allowance for impairment on inventories	(2.754.902)	(1.575.946)
Provision for delay penalties and fines	(2.085.065)	(2.400.107)
Provision for guarantee expenses	(14.280.448)	(14.525.373)
Provision for severance pay	(23.291.877)	(19.468.262)
Provision for retirement pay	(2.186.931)	(1.945.301)
Provision for annual leave and overtime	(6.784.910)	(5.079.128)
Provision for lawsuits	(45.847)	(27.047)
Accumulated tax losses	-	(1.525.204)
Accumulated R&D incentive	(295.240.181)	(206.108.738)
Other	(1.335.086)	(150.931)
Deferred tax liabilities:		
Discount on payables	580.398	567.304
Adjustment of progress payments for long-term construction contracts	398.967.310	314.891.593
Adjustment on inventories	-	163.022
Depreciation of fixed assets/amortization of intangible assets	18.370.101	16.701.445
Fixed assets revaluation fund	9.352.671	9.352.671
Gain on revaluation of available for sale financial assets	15.422.032	-
Deferred tax assets	(723.927.836)	(554.538.663)
Deferred tax liabilities	442.692.512	341.676.035
Deferred tax assets - net	<u>(281.235.324)</u>	<u>(212.862.628)</u>

The Group realized deferred tax assets amounting to TL 295.240.181 (31 December 2013: TL 206.108.738) on the R&D expenses amounting to TL 1.467.200.905 (31 December 2013: TL 1.030.543.690) in accordance with Law No: 5746 about supporting R&D activities as disclosed in Note 11.

	<u>1 January- 31 December 2014</u>	<u>1 January- 31 December 2013</u>
Movement of deferred tax (assets)/liabilities:		
Opening balance as of 1 January	212.862.628	132.604.753
Charged to statement of profit or loss	81.030.194	91.938.025
Charged to equity	(12.657.498)	(11.680.150)
	<u>281.235.324</u>	<u>212.862.628</u>

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	1 January- 31 December 2014	1 January- 31 December 2013
<u>Tax reconciliations:</u>		
Profit before tax from continuing operations	270.353.565	147.344.525
Income tax rate	20%	20%
Tax at the domestic income tax rate of 20%	54.070.713	29.468.905
Tax effects of:		
- revenue that is exempt from taxation	(4.836.519)	(4.862.196)
- expenses that are not deductible in determining taxable profit	2.893.349	2.361.904
- R&D incentives and other income exempt from taxation	(128.547.477)	(114.393.917)
- effect of other adjustments	(3.321.420)	(3.777.105)
Tax income recognized in profit or loss	<u>(79.741.354)</u>	<u>(91.202.409)</u>

27. EARNINGS PER SHARE

	1 January- 31 December 2014	1 January- 31 December 2013
Common stock	50.000.000.000	50.000.000.000
Net profit - TL	350.094.919	238.081.489
Earnings per 100 shares - TL	0,70	0,48

28. FINANCIAL INSTRUMENTS

Financial Investments

Non-current financial investments

	31 December 2014	31 December 2013
a) Available for sale financial investments	313.581.850	5.141.213
b) Financial investments valued at cost that do not have a quoted market value	42.041.149	7.582.997
	<u>355.622.999</u>	<u>12.724.210</u>

a) Available for sale financial investments

	31 December 2014	31 December 2013
<u>Marketable securities</u>		
Not traded in an active market	313.581.850	5.141.213
	<u>313.581.850</u>	<u>5.141.213</u>

ROKETSAN-Roket Sanayi ve Ticaret A.Ş. which is Group's marketable security is revalued and stated at fair value. As of 31 December 2014, the revaluation was performed by Oyak Yatırım Menkul Değerler A.Ş. which is an independent valuation company. The fair value was determined according to "Discounted Cash Flow", "Similar Company Comparison" and "Realized Company Mergers and Acquisitions" methodologies. Discount ratio used in "Discounted Cash Flow" method is 13,2%.

As of 31 December 2013 the available for sale financial asset ROKETSAN-Roket Sanayi ve Ticaret A.Ş. amounting to TL 5.141.213 was stated at cost since its value can't be reliably measured.

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(Amounts are expressed in Turkish Lira (TL).)

b) Financial investments valued at cost that do not have a quoted market value

The details of the Group's investments and share percentages of subsidiaries, joint ventures and associates are as follows:

Company Name	31 December		31 December	
	Ratio (%)	2014	Ratio (%)	2013
ASELSAN Bakü	100	3.059.234	100	3.059.234
Mikroelektronik Ar-Ge Tasarım ve Tic. Ltd. Şti.	85	624.714	85	624.714
ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş. ^(*)	50	50.000	-	-
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş. ^(*)	50	2.250.000	-	-
ASPIİLSAN-Askeri Pil San. ve Tic. A.Ş.	1	147.462	1	147.462
Havaalanı İşletme ve Havacılık End. A.Ş. ^(**)	-	-	<1	86.953
Kazakhstan ASELSAN Engineering LLP	49	32.633.128	49	388.023
IGG ASELSAN Integrated Systems LLC	49	42.837	49	42.837
ASELSAN Middle East PSC LTD	49	3.233.774	49	3.233.774
		<u>42.041.149</u>		<u>7.582.997</u>

^(*) March 2014, "ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş." was established. 50% of the company belongs to ASELSAN and other 50% belongs Sivas Optik Malzemeleri Sanayi ve Ticaret A.Ş. In November 2014, "ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş." was established. 50% of the company belongs to ASELSAN and other 50% belongs to İhsan Doğramacı Bilkent University.

^(**) The shares of the Company in "Havaalanı İşletme ve Havacılık Endüstrileri A.Ş." was sold to TAFF in November 2014, as required by "Sale of Shares Contract".

The above available-for-sale equity investments amounting to TL 42.041.149 (31 December 2013: TL 7.582.997) do not have a quoted market value and their fair values cannot be reliably measured as the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. For this reason they are stated at cost less provision for diminution in value, if any.

Financial liabilities

	31 December	31 December
	2014	2013
Short-term financial liabilities	234.473.082	156.356.529
Current portion of long-term financial liabilities	48.470.658	22.713.765
Current portion of long-term financial leasing liabilities	137.535	119.053
Other short-term financial liabilities	800.756	870.232
Total short-term financial liabilities	<u>283.882.031</u>	<u>180.059.579</u>
Other long-term financial liabilities	195.211.161	173.039.549
Long-term financial leasing liabilities	56.314	187.863
Total long-term financial liabilities	<u>195.267.475</u>	<u>173.227.412</u>
Total financial liabilities	<u>479.149.506</u>	<u>353.286.991</u>

As of 31 December 2014, short-term financial liabilities amounting to TL 10.451.226 consist of interest free loans received for Social Security Institution (SGK) payments with a daily maturity. Current financial liabilities amounting to TL 179.201.856 consist of Preshipment Export Loan with the maturities vary between the January-May 2015 and with interest rates vary between 1,32%-1,33%. The remaining current financial liability amounting TL 44.820.000 was received for short-term financial requirements of the Group with interest rate 10, 50%. Major part of the current portion of the long-term borrowings is composed of the principle amount of USD 16 Million with a maturity of February-August 2015 related to the loan amounting USD 40 Million with an interest rate of 2,1% and the principle amount of USD 3.846.154 with a maturity of April-October 2015 related to the loan amounting USD 25 Million with an interest rate of 3,5%. Both loans are obtained from Undersecretariat for Defense Industries.

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As of 31 December 2014, TL 5.289.935 of other current and non-current financial liabilities consist of the interest free borrowings obtained from Technology Development Foundation of Turkey (TTGV). The major part of the remaining current and non-current financial liabilities is composed of the loan obtained from Undersecretariat for Defense Industries amounting USD 63.000.000 (USD 22.000.000 loan was obtained in 2014) with an interest rate of 2,1% and long-term portion amounting to USD 19.230.769 with an interest rate of 3,5%. A letter of guarantee was given to Undersecretariat for Defense Industries for the loan amounting USD 87.000.000.

As of 31 December 2013, short-term financial liabilities amounting to TL 9.905.861 consist of interest free loans received for Social Security Institution (SGK) payments with a maturity of January 2014. Current financial liabilities amounting to USD 59.916.913 (TL 127.880.668) consist of Preshipment Export Loan with the maturities vary between the 5-8 months and with interest rates vary between 1,34%-1,37%. The remaining current financial liability amounting TL 18.570.000 was received for short-term financial requirements of the Group with interest rates vary between 8,60%-9,25%. Major part of the current portion of the long-term borrowings is composed of the principle amount of USD 8.000.000 with a maturity of August 2014 related to the loan amounting USD 40.000.000 with an interest rate of 2,1% and the principle amount of USD 1.900.000 with a maturity of October 2014 related to the loan amounting USD 25.000.000 with an interest rate of 3,5%. Both loans are obtained from Undersecretariat for Defense Industries.

As of 31 December 2013, USD 1.164.567 (TL 2.485.535) of the other current and non-current term financial liabilities consist of the interest free borrowings obtained from Technology Development Foundation of Turkey (TTGV). TL 504.296 of the other financial liabilities was drawn for entity's fund requirements with an interest rate of 3,5% and daily maturity. The major part of the remaining current and non-current financial liabilities is composed of the loan obtained from Undersecretariat for Defense Industries amounting USD 32.000.000 with an interest rate of 2,1%, USD 25.000.000 with an interest rate of 2,1% and long-term portion amounting to USD 23.100.000 of the loan amounting to USD 25.000.000 with an interest rate of 3,5%. A letter of guarantee was given to Undersecretariat for Defense Industries for the loan amounting USD 65.000.000.

Bank Loans

Currency	31 December 2014		
	Weighted average interest rate (%)	Short-term	Long-term
EURO	-	36.728	29.806
TL	8,63	55.335.503	-
USD	1,92	228.509.800	195.237.669
		283.882.031	195.267.475

Currency	31 December 2013		
	Weighted average interest rate (%)	Short-term	Long-term
EURO	-	96	70.500
TL	5,57	28.464.047	-
USD	2,00	151.595.436	173.156.912
		180.059.579	173.227.412

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The breakdown of the loan repayments with respect to their maturities is as follows:

	31 December 2014	31 December 2013
Within 1 year	283.882.031	180.059.579
Between 1-2 years	73.792.790	42.852.697
Between 2-3 years	42.311.006	64.312.299
Between 3-4 years	40.919.666	30.159.899
Between 4-5 years	29.325.166	19.484.825
Between 5-6 years	8.918.847	8.208.846
Between 6-7 years	-	8.208.846
	479.149.506	353.286.991

The remaining part of the loan limit allocated for the Gölbaşı investment amounting USD 22.000.000 was used in June 2014 with the decision of the Defense Industry Executive Committee.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings as explained Note 28, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The risks that are associated with every equity item together with the Group's cost of capital are evaluated by the board of directors. Based on the recommendations of the board, the Group aims to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt on the redemption of existing debt.

The Group's general strategy has not changed since 2013 and the ratio of liabilities to share capital as of 31 December 2014 and 2013 is calculated by dividing net liability, which is found by subtracting cash and securities and short term financial investments from financial liabilities, to total share capital. The ratio is as follows:

	31 December 2014	31 December 2013
Total liabilities	2.766.540.248	2.395.489.899
Less: Cash and cash equivalents	(131.941.264)	(103.683.817)
Net debt	2.634.598.984	2.291.806.082
Total equity	2.218.893.526	1.612.485.451
Total capital	4.853.492.510	3.904.291.533
Net debt/total equity ratio	54%	59%

b) Financial Risk Factors:

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units.

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Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is mainly working with public sector and obtaining advance payments where appropriate, both from public sector and private sector entities. Financing needs arising from new contracts are satisfied by advances received when the projects start and milestone payments during the projects. The receivables are generally from public sector and hence considered collectible. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. Additionally, receivables are monitored regularly to minimize the collection risk.

Carrying values of the financial assets reflect the maximum exposure to credit risk.

The credit risks as of 31 December 2014 is as follows:

31 December 2014	Receivables				Bank Deposits
	Trade Receivables		Other Receivables		
	Related party	Third party	Related party	Third party	
Maximum net credit risk as of the balance date (A+B+C+D) ^(*)	152.148.678	1.102.021.597	19.746	42.195.874	153.973.335
- The part of maximum risk under guarantee with collateral etc. ^(**)	-	1.998.129	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	152.148.678	1.021.977.713	19.746	42.195.874	153.973.335
B. Net book value of financial assets that are past due but not impaired	-	80.043.884	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Overdue (gross carrying amount)	-	859.465	-	-	-
- Impairment (-)	-	(859.465)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Undue (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
D. Factors that include off balance sheet credit risks	-	-	-	-	-

^(*) While determining the amount, components which provide increase on credit reliability, like guarantees received are not taken into consideration.

^(**) The guarantees consist of the letters of guarantees, checks and mortgages.

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Carrying values of the financial assets reflect the maximum exposure to credit risk.

The credit risks as date of reporting is as follows:

31 December 2013	Receivables				Bank deposits
	Trade receivables		Other receivables		
	Related party	Third party	Related party	Third party	
Maximum net credit risk as of the balance date (A+B+C+D) ^(*)	171.549.926	923.433.176	32.771.269	48.938.812	122.367.255
- The part of maximum risk under guarantee with collateral etc. ^(**)	-	12.647.943	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	171.549.926	908.927.418	32.771.269	48.938.812	122.367.255
B. Net book value of financial assets that are past due but not impaired	-	14.505.758	-	-	-
C. Net book value of impaired assets	-	-	-	-	-
- Overdue (gross carrying amount)	-	2.221.896	-	-	-
- Impairment (-)	-	(2.221.896)	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
- Undue (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
D. Factors that include off balance sheet credit risks	-	-	-	-	-

^(*) While determining the amount, components which provide increase on credit reliability, like guarantees received are not taken into consideration.

^(**) The guarantees consist of the letters of guarantees, checks and mortgages.

The aging of the overdue receivables is as follows:

	31 December 2014	31 December 2013
Overdue by 1-30 days	44.975	8.887.056
Overdue by 1-3 months	61.599	4.986.160
Overdue by 3-12 months	14.415.814	605.529
Overdue by 12 months	65.521.496	27.013
Total receivables	80.043.884	14.505.758

No collateral is received for the overdue receivables.

Liquidity risk

Board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest payment date. The table includes both interest and principal cash flows.

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2014 is as follows:

Contractual Maturity Analysis	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Financial liabilities	478.955.657	487.836.536	141.088.931	146.309.365	191.519.392	8.918.848
Financial leasing liabilities	193.849	216.985	56.451	104.221	56.313	-

Expected Maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Trade payables	674.379.732	676.619.720	462.244.753	147.036.687	67.338.280	-
Other payables	814.293	814.293	761.485	20.976	31.832	-

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2013 is as follows:

Contractual Maturity Analysis	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Financial liabilities	352.980.075	361.086.089	29.641.642	153.212.545	161.814.210	16.417.692
Financial leasing liabilities	306.916	355.339	36.528	109.581	209.230	-

Expected Maturity	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial instruments						
Trade payables	405.611.478	408.423.000	367.032.448	28.144.878	13.245.674	-
Other payables	478.899	478.899	422.805	25.576	30.518	-

Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are supplemented by sensitivity analysis, and stress scenario analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk in the current year.

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Foreign currency risk management

Foreign currency denominated transactions cause foreign currency risk. The core principle of the foreign risk management reduces to minimum foreign exchange position deficit or surplus and minimize the effect of exchange rate fluctuation. Group's net foreign currency position is due to the operational structure of the defense industry. No derivative instruments have been used for the foreign currency risk management.

FOREIGN EXCHANGE POSITION

31 December 2014	TL Equivalent (Functional currency)	USD	EURO	Other
1. Trade Receivables	634.205.928	123.205.255	123.552.757	-
2a. Monetary financial assets (including cash, bank and advances)	175.143.653	47.803.467	21.781.798	2.852.274
2b. Non- monetary financial assets	-	-	-	-
3. Other	11.932.193	2.248.902	1.007.346	3.875.794
4. Current assets (1+2+3)	821.281.774	173.257.624	146.341.901	6.728.068
5. Trade receivables	289.927.324	69.571.343	40.058.147	15.606.320
6a. Monetary trade receivables (including advances)	225.217.589	2.594.671	76.853.745	2.419.449
6b. Non-monetary trade receivables	-	-	-	-
7. Other	5.041.245	392.404	494.324	2.736.960
8. Long-term assets (5+6+7)	520.186.158	72.558.418	117.406.216	20.762.729
9. Total assets (4+8)	1.341.467.932	245.816.042	263.748.117	27.490.797
10. Trade payables	296.935.203	50.134.038	59.789.744	12.030.455
11. Financial liabilities	228.546.528	98.542.325	13.021	-
12a. Other monetary financial liabilities (including advances)	85.987.914	33.874.765	2.535.363	284.223
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	611.469.645	182.551.128	62.338.128	12.314.678
14. Trade payables	13.014.415	5.612.322	-	-
15. Financial liabilities	195.267.474	84.194.087	10.567	-
16a. Other monetary financial liabilities (including advances)	700.559.412	165.072.696	112.657.262	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	908.841.301	254.879.105	112.667.829	-

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FOREIGN EXCHANGE POSITION

31 December 2014	TL Equivalent (Functional currency)	USD	EURO	Other
18. Total liabilities (13+17)	1.520.310.946	437.430.233	175.005.957	12.314.678
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Hedged total financial assets	-	-	-	-
19b. Hedged total financial liabilities	-	-	-	-
20. Net foreign currency asset/liability (9-18+19)	(178.843.014)	(191.614.191)	88.742.160	15.176.119
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(195.816.452)	(194.255.497)	87.240.490	8.563.365
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	459.653.673	144.095.625	46.287.302	9.797.134
25. Exports	877.253.772	237.642.654	101.834.710	38.939.055

As of 31 December 2014, the Company's financial statement prepared according to General Communiqué on Accounting System Application (GCASA), has TL 1.312.097.756 (31 December 2013: TL 1.112.855.063) of open position. Accompanying foreign exchange position which was prepared in accordance with CMB's regulation is different from the foreign exchange position of the financial statement which is prepared according to GCASA. The difference is mainly due to the adjustments and classifications which are related with TAS 11 "Construction Contracts".

Advances given and received in foreign currency which are subject to valuation are showed in the monetary trade receivables and monetary financial liabilities respectively.

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FOREIGN EXCHANGE POSITION

31 December 2013	TL Equivalent (Functional currency)	USD	EURO	Other
1. Trade Receivables	517.490.318	127.291.868	83.708.934	-
2a. Monetary financial assets (including cash, bank and advances)	231.170.184	61.627.307	30.422.986	10.301.928
2b. Non- monetary financial assets	-	-	-	-
3. Other	40.540.689	17.344.170	1.166.888	96.460
4. Current assets (1+2+3)	789.201.191	206.263.345	115.298.808	10.398.388
5. Trade receivables	306.131.239	94.310.935	32.474.625	9.481.673
6a. Monetary trade receivables	160.060.832	15.897.227	42.111.364	2.471.360
6b. Non-monetary trade receivables (including advances)	-	-	-	-
7. Other	6.204.910	1.390.415	134.576	2.842.165
8. Long-term assets (5+6+7)	472.396.981	111.598.577	74.720.565	14.795.198
9. Total assets (4+8)	1.261.598.172	317.861.922	190.019.373	25.193.586
10. Trade payables	182.815.320	20.921.280	44.100.439	8.662.094
11. Financial liabilities	151.595.532	71.028.176	32	-
12a. Other monetary financial liabilities (including advances)	90.868.564	24.933.301	12.812.911	28.305
12b. Other non-monetary financial liabilities	-	-	-	-
13. Current liabilities (10+11+12)	425.279.416	116.882.757	56.913.382	8.690.399
14. Trade payables	4.583.361	2.065.772	59.385	-
15. Financial liabilities	173.227.412	81.130.540	24.008	-
16a. Other monetary financial liabilities (including advances)	893.718.012	241.567.213	128.772.726	-
16b. Other non-monetary financial liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	1.071.528.785	324.763.525	128.856.119	-

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FOREIGN EXCHANGE POSITION

31 December 2013	TL Equivalent (Functional currency)	USD	EURO	Other
18. Total liabilities (13+17)	1.496.808.201	441.646.282	185.769.501	8.690.399
19. Net asset/liability position of off-balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Hedged total financial assets	-	-	-	-
19b. Hedged total financial liabilities	-	-	-	-
20. Net foreign currency asset/liability (9-18+19)	(235.210.029)	(123.784.360)	4.249.872	16.503.187
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(281.955.628)	(142.518.945)	2.948.408	13.564.562
22. Fair value of derivative financial instruments used in foreign currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-
25. Exports	398.126.535	107.075.767	72.484.232	11.123.388
26. Imports	773.435.412	159.859.080	130.599.492	48.742.769

Advances given and received in foreign currency which are subject to valuation are showed in the monetary trade receivables and monetary financial liabilities respectively.

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Foreign Currency Sensitivity

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and the EURO.

The following table details the Group's sensitivity to a 10% increase and decrease in the USD and EURO. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis includes group companies' balance sheet items which are functional currency of the non TL. The effects of 10% changes in foreign currency rate on financial statements is as follows;

Foreign currency sensitivity table

	31 December 2014			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%				
1- USD denominated net assets/liabilities	(44.433.415)	44.433.415	-	-
2- Hedged amount against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	(44.433.415)	44.433.415	-	-
Appreciation of EURO against TL by 10%:				
4- EURO denominated net assets/liabilities	25.031.501	(25.031.501)	-	-
5- Hedged amount against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	25.031.501	(25.031.501)	-	-

Foreign currency sensitivity table

	31 December 2013			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Appreciation of USD against TL by 10%				
1- USD denominated net assets/liabilities	(26.419.296)	26.419.296	-	-
2- Hedged amount against USD risk (-)	-	-	-	-
3- Net effect of USD (1+2)	(26.419.296)	26.419.296	-	-
Appreciation of EURO against TL by 10%:				
4- EURO denominated net assets/liabilities	1.247.975	(1.247.975)	-	-
5- Hedged amount against EURO risk (-)	-	-	-	-
6- Net effect of EURO (4+5)	1.247.975	(1.247.975)	-	-

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Interest rate risk management

As of 31 December 2014 and 2013, since all of the loans obtained by the Group are fixed-rate loans, the Group is not exposed to significant interest rate risk.

As of 31 December 2014, since the Group does not have interest bearing financial assets,(31 December 2013: null) no significant interest rate risk has been exposed.

Price risk

The Group usually enters into fixed price contracts, therefore, is not exposed to any major price risk.

Hierarchy of fair value

As of 31 December 2014 and 31 December 2013, the Group's financial assets at their fair values are as in the following page:

30. FINANCIAL INSTRUMENTS FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING

31 December 2014	Financial assets at fair value	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>						
Cash and cash equivalents	-	131.941.264	-	-	131.941.264	32
Blocked deposits	-	22.163.233	-	-	22.163.233	16
Financial investments	-	-	355.622.999	-	355.622.999	28
Trade receivables	-	1.254.170.275	-	-	1.254.170.275	5
<u>Financial liabilities</u>						
Borrowings	-	-	-	479.149.506	479.149.506	28
Trade payables	-	-	-	674.379.732	674.379.732	5
Other payables	-	-	-	814.293	814.293	6

31 December 2013	Financial assets at fair value	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>						
Cash and cash equivalents	-	103.683.817	-	-	103.683.817	32
Blocked deposits	-	18.805.762	-	-	18.805.762	16
Financial investments	-	-	12.724.210	-	12.724.210	28
Trade receivables	-	1.094.983.102	-	-	1.094.983.102	5
<u>Financial liabilities</u>						
Borrowings	-	-	-	353.286.991	353.286.991	28
Trade payables	-	-	-	405.611.478	405.611.478	5
Other payables	-	-	-	478.899	478.899	6

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The Group's management assesses that the carrying value besides available for sale financial assets reflects the fair value of financial instruments.

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: The fair value of the financial assets and financial liabilities are determined where there is no observable market data.

Fair value hierarchy of financial assets that are measured at fair value:

Group's available for sale financial asset, ROKETSAN-Roket Sanayi ve Ticaret A.Ş. is measured at fair value as of 31 December 2014. The fair value of ROKETSAN-Roket Sanayi ve Ticaret A.Ş. was determined according to "Discounted Cash Flow", "Similar Company Comparison" and "Realized Company Mergers and Acquisitions" methodologies and its fair value hierarchy is Level 3.

Reconciliation of the Group's assets and liabilities that are measured at Level 3 fair value are presented as follow:

Available for sale financial assets

	<u>Marketable securities</u>
Opening balance, 1 January 2014	5.141.213
Total gain/loss	
-transferred to other comprehensive income	308.440.637
Closing balance, 31 December 2014	<u>313.581.850</u>

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries

Notes to the Audited Consolidated Financial Statements For the Year Ended 31 December 2014

(Amounts are expressed in Turkish Lira (TL).)

31. EVENTS AFTER THE REPORTING PERIOD

Amount of contracts signed by Group after the reporting date is approximately TL 39 Million, EURO 2 Million and USD 4 Million.

With the decision of Board of Directors' decision on consolidation of MİKES Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. (MİKES), by means of take over and ASELSAN Elektronik San. ve Tic. A.Ş. (Company) according to simplified merger procedure has been determined and dissolution of MİKES has been registered by 20 January 2015. Thereby, MİKES has been devolved to Company with its all assets and liabilities through complete succession accordingly II-23-2 Consolidation and Division Rescript of CMB, 136th and other articles of Turkish Commercial Code and 19th, 20th, 21st articles of Corporate Tax Law and MİKES has dissolved without liquidation by 20 January 2015. All rights and liabilities of MİKES have been inherited to assignee Company by 20 January 2015.

32. EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	31 December 2014	31 December 2013
Cash	109.860	112.298
Cheques received	7.662	-
Demand deposits -TL-	35.548.686	997.189
Foreign currency demand deposits	2.301.924	23.180.671
Time deposits -TL-	14.694.285	35.607.471
Foreign currency time deposits	79.264.914	43.776.112
Accrued income	293	50
Other cash equivalents	13.640	10.026
	<u>131.941.264</u>	<u>103.683.817</u>

As of 31 December 2014, the Group has TL 79.264.914 (31 December 2013: TL 43.776.112) of foreign currency time deposits at various banks with maturities in January 2015 (31 December 2013: January 2014) and interest rates between 1,80% and 2,10% (31 December 2013: 0,25% and 2,75%).

As of 31 December 2014, the Group has TL 14.694.285 (31 December 2013: TL 35.607.471) of time deposits at various banks with maturities between January 2015 (31 December 2013: January-February 2014) and interest rates between 10% and 10,45% (31 December 2013: 8,45% and 10,10%).

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries
Independent Auditor's Report

CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of
 Aselsan Elektronik Sanayi ve Ticaret A.Ş.**

We have audited the accompanying consolidated financial statements of ASELSAN Elektronik Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (together referred as the "Group") which comprise the statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards ("TAS") and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards issued by Capital Markets Board and Independent Auditing standards which is a part of Turkish Auditing standards published by Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its Subsidiaries
Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Aselsan Elektronik Sanayi ve Ticaret A.Ş. and its subsidiaries as at 31 December 2014, and of their financial performance and their cash flows for the year then ended in accordance with Turkish Accounting Standards.

Reports on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2014 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of Turkish Commercial Code, the Board of Directors provided us all the required information and documentation with respect to our audit.

In accordance with paragraph four of the Article 398 of TCC, the auditor's report on the system and the committee of early detection of risk has been submitted to Board of Directors of the company on 2 March 2015.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Erdem Taş
Partner

Ankara, 6 March 2015

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

1. Principles on preparation

The annual report of the Board of Directors is prepared on the basis of Capital Markets Board of Turkey (CMB) Financial Reporting standards and Communiqué Series II, No: 14.1 "Principles of Financial Reporting in Capital Markets" dated 13 June 2013.

Entity, Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. "MİKES" and ASELSANNET Elektronik ve Haberleşme Sistemleri Sanayi Ticaret İnşaat ve Taahhüt Ltd. Şti. "ASELSANNET", which are subsidiaries of the Company operating in the same sector and whose financial statements are consolidated will be mentioned as "Group" in the Annual Report of the Board of Directors.

2. Commercial title and trade registry number of the company and contact information pertaining to its headquarters, branches and its website address

The commercial title of the Company is ASELSAN Elektronik Sanayi ve Ticaret A.Ş. and its trade register number is 31177. It's registered address is Mehmet Akif Ersoy Mahallesi 296. Cadde No:16 06370 Yenimahalle/Ankara. Phone: +90 (312) 592 10 00, Fax: +90 (312) 354 13 02. Internet address: www.aselsan.com.tr

The Company has a branch in the Republic of South Africa, Pretoria with the contact address Building 4, Room 005 CSIR Campus, Meiring Naude Drive, Pretoria Gauteng, 0001, South Africa. Phone: +27 (0) 12 349 26 13, Fax: +27 (0) 12 349 25 44.

The Company has a branch in the Republic of Macedonia, Skopje with the contact address: Ankarska 29A, 1000 Skopje, Macedonia.

The Company has an office in United Arab Emirates, Abu Dhabi with the contact address Industrial City of Abu Dhabi 1, Plot 22J1 PO Box: 133627 Abu Dhabi/UAE.

Phone: +971 2 5508808, Fax: +971 2 550 8812.

3. Organizational structure of the company

Entity's domestic and foreign organization has been restructured as of 01 September 2014 in accordance with the vision of becoming a global company. Major goals of restructuring are strengthening critical technological skills which entity possesses, reaching targeted new technological skills, increasing ability of research and development at a global level, developing human resources and its education, growing company by reaching new markets both domestic and foreign.

Within this scope, the Company's organization has been structured in five divisions which are Communication and Information Technologies (HBT), Microelectronics, Guidance and Electro-Optics (MGEO), Defense Systems Technologies (SST), Radar, Electronic Warfare and Intelligence Systems (REHİS) and Transportation, Security, Energy and Automation Systems (UGES).

In order for General Management to fulfill planning at strategic level, pursuing and assessing functions in a more efficient way, five different Vice General Management have been constituted as Financial Vice General Management, Support Systems Vice General Management, Research and Development Technology Vice General Management, Strategy and Business Development Vice General Management and Human Resources Vice General Management.

Internal Audit Department which is connected to Board of Directors; Strategy Advisory Board and Science and Technology Advisory Board which are connected to General Management have been established.

Company maintains engineering operations in Ankara, ODTÜ Teknokent; production and engineering operations in Macunköy and Akyurt. General Management is present in Ankara Macunköy. Also, Marine Systems Management of SST Sector Presidency and Product Support Management of UGES Sector Presidency are in Istanbul.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

4. The Company's capital and partnership structure with the changes during the accounting period

The capital structure as of 31 December 2014 and 31 December 2013 are as follows:

Partners	Share (%)	31 December	Share (%)	31 December
		2014 (TL)		2013 (TL)
Turkish Armed Forces Foundation (TAFF)	84,58	422.912.812	84,58	422.912.812
Other shareholders	0,12	577.846	0,12	577.846
Quoted in stock exchange	15,30	76.509.342	15,30	76.509.342
Nominal capital	100,00	500.000.000	100,00	500.000.000
Share capital adjustment	-	98.620.780	-	98.620.780
Inflation adjusted capital	-	598.620.780	-	598.620.780

Registered equity ceiling of the Company is TL 1.000.000.000 (TL one billion). The nominal capital of the Company is TL 500.000.000 (TL five hundred million) and is divided into 50.000.000.000 (fifty billion) shares, each having a nominal value of 1 kuruş (1% of 1 Turkish Lira). 30.272.727.273 (thirty billion two hundred and seventy two million seven hundred and twenty seven thousand two hundred and seventy three) of the shares are Group A shares and 19.727.272.727 (nineteen thousand seven hundred and twenty seven million two hundred and seventy two thousand seven hundred and twenty seven) of the shares are Group B Shares. All shares are in the name of the holder.

Group A shares are nominative preferred shares and 6 of the Members of the Board of Directors are elected among the Group A preferred shareholders or among the candidates designated by them. No change has occurred in the shareholders' structure and the Company's capital during the period.

5. Reporting period, title of the partnership, names, surnames and jurisdiction of the chairman, members and the managing members who served in the board of directors during the period, the term of office of the duties (with commence and end dates)

The report comprises the events took place during the period 01 January-31 December 2014. The title of the main shareholder in the report is ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Members of the Board of Directors

Pursuant to the provisions of the Company Articles of Association, the Board of Directors comprise of 6 members to be elected among the Group A preferred shareholders or among the candidates designated by them along with the 3 independent members to be elected in scope of the Capital Markets Board (CMB) regulations which make 9 members in total. Information regarding the Members of the Board of Directors are as follows:

Name and Surname	Position	Date of General Assembly for Assignment	End of Term of Office
Hasan CANPOLAT (**)	Chairman/Managing Member	May 2013	March 2015
Murat ÜÇÜNCÜ (**)	Vice Chairman/Managing Member	May 2013	March 2015
Ziya AKBAŞ	Independent Member ^(*)	March 2014	March 2015
Ahmet Can ÇEVİK	Member	March 2014	March 2015
Celalettin DÖVER	Independent Member ^(*)	March 2014	March 2015
Oral ERDOĞAN	Independent Member ^(*)	March 2014	March 2015
Ahmet KESİK	Member	March 2014	March 2015
Sedat NAZLIBİLEK (***)	Member	June 2014	First General Assembly to be held
Nilüfer ÖZDOĞAN	Member	March 2014	25 June 2014
Mustafa Murat ŞEKER (**)	Member	May 2013	March 2015

(*) The independence statements of the Independent Members, which comply with the Corporate Governance Principles of Capital Markets Board, exists. Statement of Independence of independent members are attached at the end of Corporate Governance Principles Compliance Report.

(**) Took office by the decision of Board of Directors at date of 16 May 2013 and selected again so that they work 1 years for each at Ordinary Meeting of General Assembly dated 31 March 2014.

(***) Selected by the decision of Board of Directors dated 25 June 2014.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

There is no executive member at the Board of Directors.

The Members of the Board of Directors are entitled with the authorizations stipulated in the Turkish Code of Commerce (TCC) and in article 13 of the Articles of Association of the Company.

There is no authorization granted to the ruling shareholders with regard to the Company Management, members of the board of directors, senior executives and to their spouses and relatives up to second degree and kins by marriage for them to perform acts which would cause conflict of interest with the Company or its affiliates or to compete.

There is not any forbidden operation with the Company which board members perform their own or on behalf of someone. There is no operation regarding prohibition of competition by member of the board.

Changes of Members of the Board of Directors During the Period 01 January - 31 December 2014:

During the Ordinary General Assembly Meeting held on 31 March 2014, Hasan CANPOLAT, Murat ÜÇÜNCÜ, Mustafa Murat ŞEKER, Ahmet Can ÇEVİK, Ahmet KESİK and Nilüfer ÖZDOĞAN were elected as Member of Board of Directors for 1 year of service for the position of Necmettin BAYKUL, Erhan AKPORAY, Hasan CANPOLAT, Murat ÜÇÜNCÜ, Mustafa Murat ŞEKER and Orhan AYDIN whose service periods have ended and Oral ERDOĞAN, Celalettin DÖVER and Ziya AKBAŞ were elected as Independent Member of Board of Directors for 1 year of service for the position of Halil SARIASLAN, Lamia Zeynep ONAY and Cumhuriyet Şahin TULGA whose service periods have ended.

The Member of Board of Directors Nilüfer Özdoğan resigned as of 25 June 2014. For the vacant position with the resignation, Sedat NAZLIBİLEK was elected on the Board of Directors meeting held on 25 June 2014 according to the article 363 of TCC and it was decided to be submitted to the approval on the upcoming General Assembly.

6. Main factors that affect the performance of the company, significant changes occurred in the environment where company is active, policies implemented by the company with respect to these changes, investment and dividend policy of the company to strengthen its performance

The Company operates in the field of defense industry. For the last five years, resources which are reserved for defense by the USA has decreased and it is claimed officially that this decrease will continue. Besides, resources reserved for defense in Asia, Middle East and Africa especially in China, Russia, and Saudi Arabia have increased. By the end of 2013, while resources reserved for defense in Turkey for the last five years has increased from USD 16 Billion to USD 19 Billion, local purchase of equipment has also increased with policies.

Given the nature of defense industry, the project lifetime varies between 4-5 years in average. Within this context, 2008 global financial crisis and the subsequent fluctuations did not have an adverse effect on the Group. Group takes actions for the long-term and has signed contracts worth approximately TL 10,3 Billion (approximately USD 4 Billion) as of 31 December 2014. The Group's aims are parallel to designating target regions/countries, focusing on these markets and concentrating on marketing projects, direct sale, joint productions, technology transfer, and strategic expansions with international firms for sales to third countries.

The revised dividend distribution policy that has been presented to shareholders' information on the General Assembly of 2014 regarding 2013 operations is as follows.

The amount of dividends shall be calculated by taking into consideration the pertinent legislation, the provisions of the articles of association, the equity capital ratio of the Company, the sustainable growth rate, market value and cash flows as the distributable profit by referring to the annual profit that is indicated in the financial statements of the Company, which had been prepared according to the laws and regulations (after subtracting from the reserves that had to be set aside according to the law, tax, funds, financial liabilities and the losses from previous years and adding the donations). Then, the recommendation prepared by the Board of Directors on the way such dividends would be distributed, i.e. as cash on the set dates, or as bonus shares that represent the profit which would have been added to the capital, is submitted to the approval of the General Assembly.

In the case of a revision in the dividend distribution policy, decision of the Board of Directors and the reason of the revision is announced to the public in accordance with the CMB regulations.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

According to the Capital Markets Board Law and other legislations as well as the provisions of the articles of association, and as per the resolutions of the General Assembly, in the year 2014 TL 25.000.000 (TL 0,05 per TL 1 share, 5% gross over capital) and (net TL 21.250.000 per TL 0,0425 - TL 1 share, 4,25% net over capital) of the profit for 2013 has been decided to distributed to shareholders.

All of the dividend TL 25.000.000 to be distributed was paid to shareholders by 31 December 2014.

7. Financial resources of the company

The most substantial financial resource of the Company comprises of the advance/interim payments taken in scope of the executed agreements and by the profit gained by the main activities.

During 01 January-31 December 2014 period, the cash requirements was met with the existing cash, cash inflows and new loans received in accordance with the decreasing interest rates in the first half of the year. In scope of the Eximbank Loan Program, during 01 January- 31 December 2014 period, "Discounted Foreign Currency Loan" was obtained with the following maturities respectively: USD 89,5 Million with 240 days of maturity, and EUR 7,5 Million with 240 days of maturity, USD 10 Million with 120 days of maturity.

Furthermore, USD 22 Million which is the last piece of credit of USD 87 Million used in order to finance the Gölbaşı investment by the decision of Defense Industry Execution Committee, was obtained in July, 2014. USD 8 Million principal payment of USD 40 Million credit was recognized at 2014, August.

On the Board of Directors Meeting held on 19 June 2014, it was decided to issue debt instruments in one or several portions, domestically, with a maturity between 6 months to 3 years which will not exceed TL 250.000.000 Million by private placement and/ or to qualified investors without public offering. The Company has applied to CMB on 23 June 2014 with reference to the decision and the approval was given by CMB on 18 July 2014. The approval was given by CMB is valid till 17 July 2015.

8. Risk management policies of the company

a. Corporate Risk Management

The Company's risk management policy is to develop and implement efficient and productive methods and systems in order to manage (define, rate, monitor, evaluate and form activity plans aimed at minimizing the effects) and anticipate the potential risks which it may be exposed to.

In the Corporate Risk Management studies, "top down" and "bottom up" approaches are applied together and the significant risks which are at a critical level to affect the Company to reach its long term targets are defined and classified under Strategic, Operational, Managerial, Financial and External Factors and are submitted to the Board of Directors and Independent Audit Company with the measures to be taken.

In order to identify the potential risks beforehand and to enable the management of these risks in compliance with the Company's risk-taking approach, an Early Detection and Management of Risk Committee was established in 2012.

In the scope of the operations carried out by the committee, the inventory related to the risks which could prevent the Company to reach its strategic targets were defined and prioritized pursuant to the opinions and proposals of the Company top management. The most significant risk factors defined in this scope are explained below.

Difficulty in Increasing Customers Variety and Number

The main customers of the Company are State Institutions such as Turkish Armed Forces. This brings about the steering of the Company's operations in accordance with the public demands. The minimization of this risk is anticipated by the Company as the result of the studies carried out pursuant to the targets aimed at increasing export sales and transferring existing knowhow to the private sectors.

Cut-Backs in Defense Expense Budgets

The Company realizes its sales both domestic and abroad in particular to the armed forces and governmental institutions. Defense expenditures in these markets depend on political and economic factors and may vary from year to year. The Governments' substantial cut-backs in the defense budget equipment items shall have a significant impact on the Company's activities and sales.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

Cutting down defense expenses except the percentage which is reserved for equipment for a country can be regarded as an indicator of transformation to a more modern army with more improved equipment. These kinds of developments can provide new opportunities to Company attendantly since they increase demand to equipments which are produced advanced technology.

Supplier and Subcontractor Risks

As for the Company which works with various number of local and foreign suppliers and subcontractors, provision of material quality and sustainable supply is essential in terms of operational results.

The probable inter-country political or economic developments constitute a supply risk for the critical materials supplied from abroad. Difficulties have been experienced in settlement of suppliers and subcontractors at defense industry in Turkey until recently. Emphasis is put on having a strong structure of supporting industry in order to minimize risk arising from suppliers and subcontractors which cannot reach intended technical sufficiency, specialty and performance.

Compliance with Technological Developments

An important feature of defense sector is high level technology and continuous progress in the technology utilized. This situation leads to changes in demands of the customers with regards to the product, systems, services and etc. Investing in and utilizing new technologies in the products is necessary to increase the Company's power of competition and success. Effective and systematical technology management and timely investment of value added technology is a priority for the profitability and sustainability of the Company. Relations developed with the armed forces and related procurement authorities support the predetermination of the demands. Technology management operations were started to be conducted under R&D and Technology General Vice Management that was established within the company. Moreover, Engineering Group Presidency within Sector Presidency gave a boost to General Vice Management which is mentioned above in preparation of technology roadmap by providing participation to Technology and R&D Management Committee.

Fixed Price and Fixed Term Contracts

The products and systems produced by the Company have a complex structure considering their technology, high quality and performance requirements, tough working conditions and sales contract stages. This complexity, being a general feature of the sector in which the activities are carried out, is an element to cause the design, development and production cost estimations and contract terms to go above their initial planned status. The deviations (inflation, exchange rate and interest) in the assumptions made during the contract term may lead as a result of an increase or decrease in profits for the fixed price contracts.

Global Economic Slowdown and Financial Crisis

Recession and crisis in global economy have an adverse impact on the economic activities of the countries and as a result may cause cut-backs in the defense budgets. This situation brings along the risks of decrease or cancellation in local or foreign customer requests, pressure of the customers regarding price and profitability, slowdown of investments with respect to the Company. Another impact of the global crisis is the increase of costs in connection with the vagueness caused by the fluctuation in financial markets. When the economic situation of Turkey is considered, it is anticipated that the possibility of the mentioned risks to be realized in the prospective period shall be low, yet the markets are still monitored very closely.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

b. Financial Risk Management

In forming the financial risk management model of the Company, "Asset- Liability Management (ALM) Model" has been taken as the basis and foreign exchange risk, interest risk and liquidity risks have been defined as financial risks.

In the balance-sheet financial risk management, exchange risk, interest risk and liquidity risk which shall affect the assets and liabilities of the Company are defined, measured, managed and reported. Therefore, the adverse affects of the changes in financial markets on the Company's financial performance are minimized. In order to minimize the risks, the derivative financial tools are also utilized.

Off-balance-sheet financial risks arise from the inconsistency of cash inflows and outflows on the basis of currency or the deviation of the cash flow dates. Pursuant to off-balance-sheet financial risk management, financial risk management techniques aimed at protecting the targeted profitability of the projects are used.

Financial risk management is also applied by the Company's subsidiaries and affiliates pursuant to the policies approved by their own managing bodies.

i. Foreign Exchange Risk and Management Policy

The main principle in foreign exchange management is to minimize the impact of the foreign exchange fluctuations by preventing foreign exchange short or long positions.

To define foreign exchange risks, taking the periodical foreign exchange position into consideration, loss and profits which would arise from upwards or downwards changes are calculated and the possible impacts of the foreign exchange risk incurred are measured. In this scope, the possible changes in foreign currency sensitive assets and liabilities for prospective financial periods are considered and the foreign currency position is estimated. The short foreign exchange position of the Company is monitored in balance sheet and off balance sheet. The Company finances its activities mainly with the advance payments received in foreign currency and the advances taken are subject to revaluation as they are denominated in foreign currency. Although substantial part of the advances taken is used in foreign currency denominated material purchases, monitoring the purchased material in terms of TL as they are recorded in the balance sheet causes the Company to be in short position. Such short position is structural as it is obligatory that the stocks and research and development costs are monitored in terms of TL and derivative tools out of cash portfolio are not used in its management.

During the periods when Turkish Lira devalues, net foreign exchange loss is incurred but the sales revenues and operating margin increase due to the reason that the 75% of the Company's backlog is denominated in foreign currency. Therefore, the adverse impact of the net foreign exchange loss is balanced with the increase in the operating margin.

As of 31 December 2014, as per financial statements prepared according to the Turkish General Notification of Accounting System Application (TGNASA), the company has a short position of TL 1.312.097.756 (31 December 2013: TL 1.112.855.063). 80% of the related position is USD (31 December 2013: 72%) and 20% of the balance is EURO (31 December 2013: 28%).

The foreign exchange gain and loss noted in the financial statements are mainly comprised of the information indicated in the financial statements prepared in accordance with the TGNASA including the subsidiaries MİKES and ASELSANNET which are subject to consolidation.

Foreign Exchange Sensitivity Analysis Table of the Company Prepared According to TGNASA

As of 31 December 2014		
	Profit/Loss	
	Foreign currency gaining value	Foreign currency losing value
In the event USD changes by 10% against TL:		
1- USD Net Assets/Liabilities	(105.480.362)	105.480.362
In the event EURO changes by 10% against TL:		
2- Euro Net Assets/Liabilities	(25.680.584)	25.680.584

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

ii. Interest Risk and Management Policy

The interest risk is defined by using the difference between the assets sensitive to interest in a certain term and liabilities sensitive to interest (gap analysis) and such difference is calculated by the help of the maturity ladder of the balance sheet. In the scope of fund management, a sensitivity test is carried out to measure the interest risk of the interest sensitive assets in the portfolio.

Company used total amount of USD 87 Million credit with 2,1% fixed interest rate, 3 years non-payment, 5 years fixed term from Defense Industry Support Fund by means of USD 40 Million at 18 August 2011, USD 25 Million at 21 March 2013 and USD 22 Million 31 July 2014 and USD 79 Million credit balance exists by 31 December 2014. There is no interest risk due to since the credits have fixed interest. Company has USD 77,5 Million credit balance from Türk Eximbank by 31 December 2014 order to absorb exportation financing.

The loans have a maturity of 240 days and they are indexed to LIBOR. Since LIBOR levels tend to remain low and Türk Eximbank demands 1% additional spread rate in order to Support export, the Company's sensitivity to floating rate loans is kept at minimum.

iii. Liquidity Risk and Management Policy

Liquidity Risk comprises the risks when the matured liabilities cannot be fulfilled, when the increase in assets cannot be funded and the risks which arise due to the transaction realized in non-liquid markets.

Liquidity risk is managed by considering short term liabilities, assets with high liquidity, anticipated cash flows and balance sheet maturity ladder. In this scope, sufficient level of cash and assets which may be convertible to cash is maintained, attention is paid that the Company finances its activities without using any loans and the resources of funding are varied by keeping the bank credit limits ready for any instant cash requirement. As of 31 December 2014, 48% of the total resources are comprised by the advance payments taken and when this is considered, the liquidity risk is at low levels as no maturity inconsistencies are experienced in the working capital management.

iv. Credit Risk and Management Policy

The substantial part of the Company's present credit balance are comprised by the performance bonds and advance payment guarantees (letter of guarantees) granted to the customers in scope of agreements and which are monitored off balance sheet. Within this scope to manage the credit limits at the banks, risk balances are monitored periodically and necessary transactions are done for the letter of guarantees related to the agreements of which the liabilities are fulfilled to be deducted from the risk.

v. Capital Risk Management

In the capital management of the Company, enabling a debt-equity balance that would minimize the financial risks and costs to the lowest level is taken care of. The objective of the Company is to guarantee a consistent growth by means of the funds gained through its activities while providing its shareholders a regular dividend income and. The Company aims to keep its capital structure in balance by means of dividend payments as cash or in return for shares and issuance of new shares.

9. Other issues not included in the financial statements but which would be beneficial to the users

a) As of 31 December 2014, the Company has a backlog of TL 10,3 Billion (approximately USD 4 Billion) and these orders include the period until 2025.

b) No Extraordinary General Assembly was held during the period 01 January and 31 December 2014.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

10. Significant events between 01 January - 31 December 2014 accounting period and the Board of Directors Meeting date when the relevant financial statements shall be negotiated

a) With the decision of Board of Directors' decision on consolidation of MİKES Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. (MİKES), by means of take over and ASELSAN Elektronik San. ve Tic. A.Ş (Company) according to simplified merger procedure has been determined and dissolution of MİKES has been registered by 20 January 2015. Thereby, MİKES has been devolved to Company with its all assets and liabilities through complete succession accordingly II-23.2 Consolidation and Division Rescript of CMB, 136th and other articles of Turkish Commercial Code and 19th, 20th, 21st articles of Corporate Tax Law and MİKES has dissolved without liquidation by 20 January 2015. All rights and liabilities of MİKES have been inherited to assignee Company by 20 January 2015.

b) An agreement regarding the Acoustic Decoy System for Submarines (Launcher), valuing TL 34.000.000,- has been signed between ASELSAN and Ministry of National Defense. Within this context, the deliveries of the Launcher Systems which will be developed and produced by our Company will be made in 2018-2019.

11. Anticipations for the development of the company, significant developments with respect to company activities and financial status, to observe whether past period targets were reached or not, whether the general assembly resolutions were fulfilled or not, and in the event the targets were not reached and the resolutions were not fulfilled, information regarding the grounds and assessments

On 05 March 2013, the guidance on Group's financial results of 2013 shown below were disclosed to public:

- Consolidated income growth (TL): 15-17%
- EBITDA (Consolidated and adjusted): 18-20%
- Consolidated investment expenditure: Approximately TL 175 Million
- Ratio of the consolidated Research and Development (R&D) expenses financed by Company resources to the consolidated sales: 6%

The growth in consolidated income in line with this increase in exchange rates is 15% in 2014. EBITDA (Consolidated and adjusted) was 18%. Ratio of the consolidated Research and Development (R&D) expenses was 6%.

The expectations of Group on consolidated financial results for 2015 under normal circumstances are as follows:

- Consolidated income growth (TL): 16-20%
- EBITDA (Consolidated and adjusted):18-20%
- Consolidated investment expenses: Approximately TL 120 Million
- Ratio of the consolidated Research and Development (R&D) expenses financed by Company resources to the consolidated sales: At the level of 6%

These expectations are based on the yearly average of USD/TL parity to be 2,42: EUR/TL parity to be 3,01.

The Company's vision is "to become one of the first 50 defense industry companies in the World". 5 year strategic plans are prepared in the context of this vision. All operations are realized consistent with the strategic plan, in order to reach the defined targets. In this respect, qualified labor force, matured procedures, resources reserved for R&D, infrastructure and organization and technology at World level have been maintained.

The Company has been in the most prestigious list, "Defense News Top 100", which is published by "Defense News" magazine since 7 years and is aimed to increase its ranking in the list.

In order to achieve the sustainable growth:

- 75% of machine/device investment which belongs to the new facility in Radar and Electronical Battle area, the greater part of constructing investment was completed in Ankara Gölbaşı Region.
- The joint ventures, United Arab Emirates, Kazakhstan and Jordan established in the last three years, received purchase orders approximately USD 27 Million during 2014.
- On March 2014, "ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş." was established, 50% of which belongs to the Company and the remaining to Sivas Optik Malzemeleri Sanayi ve Ticaret A.Ş. Ultraviolet, visible, close infrared line sensitive optical instruments which are normally designed by ASELSAN and produced abroad will be produced in Sivas facility after the construction of the facility.

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- ASELSAN Bilkent Micro Nanotechnology Industry and Trade Inc. titled company, which belongs 50% to ASELSAN and 50% to İhsan Dođramacı Bilkent University, was established with the purpose of producing every kind of semiconductor and micro and nano dimensional instruments which including similar materials. Capital of the company is TL 18.000.000 and establishment was registered officially at 11 November 2014.
- The quality and technological perspectives of the cooperation formed with the universities have been increased.
- The efforts to form an eco-system with the sub-industry companies and SME's have continued.
- Company will operate in civil electronic areas which demand high technology.
- Inorganic expansion will be also evaluated as well as organic expansion.

According to decisions made in the General Assembly Meeting held on 31 March 2014,

- Cash dividend payments of 2013 profit began as of 30 May 2014, finished by the end of 2014.
- The decision made to amend the 6th article of Articles of Association was registered together with the General Assembly Meeting Decisions on 02 April 2014, disclosed on 07 April 2014. The amendment in the Articles of Association was sent together with a copy of Trade Registry Gazette to CMB and Customs and Trade Ministry.

12. Corporate governance principles compliance report

The report is provided with Annex-1.

13. Research and development activities realized

The Group, being a leading defense industry establishment developing advanced technology system solutions on land, air, naval and aerospace platforms, has given importance to R&D activities and technological gains and targets to spend approximately 6% of the annual turnover to its R&D activities financed with its own resources.

By monitoring all kinds of technological developments with respect to product/technology systems for land, air, naval and aerospace platforms, the design, development and production of product/technology which includes advanced technology on the basis of not only using the technology but also having a structure to transfer/sell the technology it develops in national and international cooperation environments.

In order to increase the national contribution share in the projects, great effort is being paid for utilizing the existing local technological possibilities. For this purpose, cooperation with universities and some R&D institutions are formed and using of local subcontractors and sub-industry have become significant.

As for the projects carried out within the Group, the R&D discount in compliance with the provisions of the Law on Corporate Tax numbered 5520 and R&D central application pursuant to the Law regarding the support of R&D activities numbered 5746 are being implemented together. For the R&D projects which are not aimed for public, the approval of TEYDEB (Technology and Innovation Support Programs Directorate) is taken and they are supported by this institution. Within the Company, there are 5 R&D centers namely Defense System Technologies (SST), Radar Electronic Warfare and Intelligence Systems (REHİS), Microelectronics, Guidance and Electro-optics (MGEO), Communication and Information Technologies (HBT) and Transportation, Security, Energy & Automation Systems Business Sector (UGES). MİKES, which is an affiliate subject to consolidation and which also has 1 R&D center. 2.283 people are employed at the Group R&D centers.

The Company also is active in Teknokent facility within Middle East Technical University in scope of the Law numbered 4691 on Technology Development Regions. 167 people are employed within this region.

14. Amendments to the Articles of Association during the period along with the grounds

In the General Assembly Meeting held on 31 March 2014, it was decided to amend the 6th article of Articles of Association in order to become coherent with Turkish Trade Law and the amendments were registered and disclosed in Trade Registry Gazette.

15. The kinds of issued capital market instruments and their amounts, if any

None.

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16. The sector the Company operates in and its position within the sector

The Company is a leading defense industry institution developing advanced technology system solutions in land, air, naval and aerospace platforms.

The Company being an institution of TAFF is in a position of a technology center in the fields of design, development, manufacturing, system integration, modernization and after sales services of military and civil communication systems, avionic systems, electronic warfare and intelligence systems, radar systems, command and control systems, naval warfare systems, electro-optic systems and products.

Ranking of Company international, country-wide, sectoral rating systems is showed at table below:

Corporation	Research/Study	Related Period*	Ranking	
			Current	Previous
International Ratings				
Defense News Journal	Defense News Top 100	2014	67	74
SIPRI	SIPRI Top 100	2014	65	87
European Commission	World R&D Expense The First 2500 Company	2014	1.169	-
National Ratings				
İstanbul Chamber of Industry	İCI 500 Biggest Industry Companies	2014	35	46
	İCI 500 - Private Companies	2014	31	41
Fortune Journal	The Biggest 500 Companies	2014	51	63
Capital Journal	The Biggest 500 Private Companies	2014	65	77
TEA (Turkish Exporters' Assembly)	The First 1000 Exporter Companies	2014	107	128
Turkish Time Journal	R&D Top 100 Research	2014	1	1
Brand Finance	The Most Valuable Brands (100 Brands)	2014	38	37
Superbrands	The Most Valuable Brands (134 Brands)	2015	No ranking.	
Bloomberg Businessweek	Most Popular 50 Companies (Intercollegiate)	2014	9	11
Universum	Ideal Employers (Engineering and Information Technologies- 100 Companies)	2014	1	3
Ministry of Science, Industry and Technology	Top of the Private Sector R&D Centers	2014	1	-
World Newspaper and DHL Express	Incentive Awards Stars of Exporters -Award of Exporter of the Year			

* "Related period" is the period when last explanation has been made.

17. Progress in investments and degree of incentive utilization if any

Progress in Investments

Directing the Company resources to profitable fields with high added value where advanced technology is used is anticipated in the first place by considering the global tendencies, technological developments and the actual and prospective requirements of all customers in particular the Turkish Armed Forces. The investments in the Company are realized by considering the technological plans, strategic plans and project requirements. Below are the leading investments in scope of these:

- A new facility investment is being made in the field of Radar and Electronic Warfare in Ankara province, Gölbaşı district. Moving to compound has been started by the end of 2014, commissioning of compound is aimed at the first quarter of 2015. Upon the realization of this investment in scope of a structural growth, the product range of engineering, production, test and logistics support services in the field of Radar and Electronic Warfare shall be extended.
- Investments to meet the infrastructure and equipment requirements to be used with the R&D projects within the year are being carried out in compliance with the investment plan prepared pursuant to the efficient resource utilization principle.

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Degree of incentive utilization if any

The 1501 Industrial R&D Projects Support Programme has been formed in order to encourage the R&D operations of the companies creating added values at company level and to contribute to the enhancement of the R&D ability of the Turkish industry by this means. It has benefited from incentives amounting to TL 4,5 Million within the scope of TÜBİTAK TEYDEB projects which are current at 2014.

5 new projects within the scope of 1511-Prioritized fields' research Technologies development and innovation program were signed in 2013 and started being executed. It has been benefited from TL 2,2 Million incentive at 2014 which is allocated by TÜBİTAK TEYDEB.

The support process of the 3 projects have been initiated as of July 2010 by 1509 EUREKA-International Industrial R&D Projects Support Program where market oriented projects for developing products and processes to be commercialized in short term are supported and an incentive amount of TL 1,3 Million was used at 2014.

29 projects were executed in the year 2011, 2012, 2013, 2014 and came into effect within the SAN-TEZ R&D support programme aimed at supporting the postgraduate and/or doctorate thesis works which shall contribute to increasing the competitiveness in international markets by means of commercializing the scientific studies at the universities and institutionalizing the University - Industry cooperation.

The 1007 Public Institutions R&D Project Support Program has been formed in order to meet the requirements of the Public Institutions with R&D or to support the projects aimed at solving their problems. In scope of this support 4 R&D projects are still ongoing.

Within the scope of the European Commission 7th Cooperation Framework Programs, 4 integration projects were executed and went into effect and 1 project which was initiated in 2008 was completed in June 2012 with success. In the "Circulation of the Researchers, Return Grants; Individual Support Private Programme" within the scope of the European Commission 7th Cooperation Framework Programmes, 3 projects have gone into effect in the years 2010 and 2011.

Expenses regarding the foreign market research travels realized with respect to the products and the foreign office expenses are used up by the rate and amount of subsidies implemented within the scope of Governmental Grants for Export.

Within the Decision Regarding the Governmental Grant in Investments, there are 4 Investment Incentive Certificates taken from the Turkish Republic Prime Ministry Undersecretariat for Treasury General Directorate of Incentives and Implementation. With such incentive certificates, VAT exemption and customs tax exclusion are utilized. VAT exemption is applied in domestic and foreign purchases and customs tax exemption is used in foreign purchases.

Income tax withholding incentive, insurance premium support, stamp tax exemption and R&D discount are utilized within the scope of the Law numbered 5746. Income tax withholding incentive, insurance premium support and stamp tax exemption is utilized by being calculated over the salaries of the R&D personnel and not being paid to the relevant institution and the R&D discount is utilized by means of applying a discount on the corporate tax return. Aforesaid law is valid until the date of 31 December 2023.

Within the scope of the Teknokent Law numbered 4691, incentive on withholding income tax, insurance premium support and stamp tax exception is applied. These are utilized by making calculations on R&D and software personnel wages and not being paid to the related institution. The gain obtained with reference to the execution of Technology Development Zones Law numbered 4691 is exempted from the corporate tax of 31 December 2013.

Because of being an R&D center as of 01 January-31 December 2014, TL 47 Million (31 December 2013: TL 44 Million) within the scope of income tax withholding incentive, promotion of insurance premium, stamp duty exception; as a result of being active at ODTÜ Teknokent TL 7 Million (31 December 2013: TL 6 Million) incentives are used.

TL 41 Million advantage of Corporate Tax (31 December 2013: TL 18 Million) was gained from achieved earnings within the scope of law of 5746 R&D and 4691 Teknokent by the date of 01 January-31 December 2014.

At periods when Group's R&D expenses which is subject of R&D discount higher than principal amount of R&D discount which is indicated at corporate tax return, Corporate Tax ratio 20% of distinction amount evaluated as deferred tax income at financial tables.

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18. Comments including the qualities of the production units of the company along with the capacity utilization rates and their developments, general capacity utilization rate, developments in the manufacturing of the products and services which are subjects of activity, amounts, quality, circulation and the prices compared with the previous period figures

The capacity utilization for the period between 01 January and 31 December 2014 was realized at the level of 97%.

Substantial part of the production is realized as order based production. R&D activities are carried out for the products designed to be tailored for the customer requirements and the qualities of the system and products alone with their quantities and prices may be subject to change. Upon the usage of Enterprise Resource Planning (ERP) system, the production processes have been managed more efficiently.

19. The prices, sales revenues, sales conditions of the products and services which are subjects of activity with their improvements within the year, developments in the yield and productivity parameters and the reasons of the substantial changes in these compared to the previous years

The Company carries out its operations in the basic fields of: "Communication and Information Technologies", "Defense System Technologies", "Radar, Electronic Warfare and Intelligence Systems", "Microelectronics Guidance and Electro-Optics" and "Transportation, Security, Energy and Automation".

The Company's project revenues comprise, according to the relevant sales agreement terms and conditions, order based production, mass production product sales, services, commodities and progress billing sales. Sales terms and conditions are subject to change as for the respective agreements.

As for the consolidated amount of the Group realized during the period 01 January-31 December 2014 TL 2.038 Million was generated from domestic sales and TL 460 Million was generated from foreign sales.

20. The basic ratios regarding profitability and liabilities, as calculated on the basis of the financial statements, sales, efficiency, income generation capacity, profitability and liabilities/equity ratios in comparative basis with prior period and information about other matters and future expectations and risks that has been prepared in accordance with Capital Markets Board Communiqué Series: II and No:14.1

As of 31 December 2014, based on Group's financial statements prepared in accordance with the Communiqué Series II, No: 14.1 "Communiqué on Capital Market Financial Reporting Standards" issued by Capital Markets Board, the net sales amount has increased 15% compared to the same period of prior year. The profit for period amounts to TL 350 Million, with an increase of 47%. Equity has increased by 19% compared to December 2013.

BASIC RATIOS/CONSOLIDATED BALANCE SHEET	31 December 2014	31 December 2013
Current Ratio (Current Assets/Current Liabilities)	1,96	2,19
Liquidity Ratio (Cash and Cash Equivalents+ Financial Investments+ Trade Receivables+ Other Receivables/Current Liabilities)	0,93	1,01
Equity/Total Liabilities	0,45	0,40
Current Liabilities/Total Liabilities	0,24	0,23
Non-Current Liabilities/Total Liabilities	0,31	0,36

BASIC RATIOS/CONSOLIDATED PROFIT TABLE	31 December 2014	31 December 2013
Operating Profit/Revenue	0,24	0,26
Profit for the Period (Parent Company Shares)/Revenue	0,14	0,11

The liabilities of the Group are mainly consist of the short and long term order advances received. The Group's liquidity ratio is above the acceptable levels.

21. Measures planned to be taken to improve the financial structure of the Company

The Group and the Company, as for their annual budgets and implementations for the period 2012-2014, have adopted the principles as the basis to take care of savings in all kinds expenditures, to closely follow up the advances and receivables, to pay attention to the proportion of the term and currency in purchasing and sales agreements with the risk status of the domestic/foreign sellers.

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22. Changes in the top management within the period and the names and surnames of the ones who are on duty

Changes in the top management within the period 01 January-31 December 2014 and information regarding the ones on duty are given in the below table:

LIST OF UPPER MANAGEMENT IN SERVICE

No	Name Surname	Duty	Date of Appointment
1	Hasan CANPOLAT (*)	Chairman/Managing Member	31 March 2014
2	Murat ÜÇÜNCÜ (*)	Vice Chairman/Managing Member	31 March 2014
3	Ziya AKBAŞ	Member of the Board of Directors	31 March 2014
4	Ahmet Can ÇEVİK	Member of the Board of Directors	31 March 2014
5	Celalettin DÖVER	Member of the Board of Directors	31 March 2014
6	Oral ERDOĞAN	Member of the Board of Directors	31 March 2014
7	Ahmet KESİK	Member of the Board of Directors	31 March 2014
8	Sedat NAZLIBİLEK	Member of the Board of Directors	25 June 2014
9	Mustafa Murat ŞEKER (*)	Member of the Board of Directors	31 March 2014
10	Faik EKEN	CEO/President	24 July 2014
11	Levent AKKOYUNLU	CFO/Vice President	01 September 2014
12	Yavuz BAYIZ	Division CEO/Vice President (Communication & Information Technologies Business Sector)	01 September 2014
13	Baki ŞENSOY	Division CEO/Vice President (Microelectronics, Guidance & Electro-Optics Business Sector)	01 September 2014
14	Oğuz ŞENER	Division CEO/Vice President (Radar & Electronic Warfare Systems Business Sector)	01 September 2014
15	Mustafa KAVAL	Division CEO/Vice President (Defense Systems Technologies Business Sector)	01 September 2014
16	Yavuz Suat BENGÜR	Division CEO/Vice President (Transportation, Security, Energy & Automation Systems Business Sector)	01 September 2014
17	Hezarfen ORUÇ	Division CEO/Vice President (Support Services)	01 September 2014
18	İsmet ATALAR	Division CEO/Vice President (R&D and Technology Management)	01 September 2014
19	Özcan KAHRAMANGİL	Division CEO/Vice President (Strategy and Business Development)	01 September 2014
20	Hüseyin YAVUZ	Division CEO/Vice President (Human Resources Management)	01 September 2014
21	Abdülkadir GÖKTAŞ	Internal Audit President	01 September 2014

(*) Period of service of aforementioned Members of Board of Directors before last General Assembly Meeting is 10 months.

It was decided to delegate Vice General Manager and Information Technologies Group Manager Dr. Faik EKEN for the position of ASELSAN General Manager Cengiz ERGENEMAN whose service period has ended due to age limit, with the decision of Board of Directors dated 28 May 2014. Dr. Faik EKEN assigned to position of General Manager, Yavuz BAYIZ assigned to position Vice General Manager principally with the decision of Board of Directors dated 24 July 2014. With same decision, Levent AKKOYUNLU, Hezarfen ORUÇ, İsmet ATALAR, Hüseyin YAVUZ, Baki ŞENSOY, Oğuz ŞENER, Mustafa KAVAL and Yavuz Suat BENGÜR assigned to Vice General Manager which is valid from the date of 01 September 2014.

23. Total amounts of the financial benefits such as attendance fee, remuneration, premium, bonus payments, share profit provided to the managing members and senior executives

The total amount of the remuneration and similar benefits paid to the senior executives by the Company as for the period 31 December 2014 is TL 5.873.910 (31 December 2013: TL 4.555.169). A monthly payment of net TL 3.000 is made to the Member of the Board of Directors and Managing Members on 31 March 2014.

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24. Information regarding the allowances granted to the managing members and the senior executives with the travel, accommodation and representation expenses and financial benefits in kind, insurances and total amounts of the similar guarantees

Total amount of domestic and foreign allowances, travel, accommodation and representation expenses and financial benefits in kind and total amounts of insurances granted to the senior executives and members of the Board of Directors of the Group for the period ended by 31 December 2014 is TL 911.846 (31 December 2013: TL 421.271)

25. Personnel and workers turnover, collective agreement implementations, rights and benefits provided to the personnel and workers

The Group recruited a total number of 185 people (35 personnel with fixed term contract) as the personnel including fixed-term contracted personnel, disabled and terror-stricken personnel during the period 01 January - 31 December 2014 and the number of people quit for the same period is 314 (108 personnel with fixed-term contracted).

The rights and benefits provided to the personnel by the Company are bonus payments, meal allowances, marriage benefits, maternity benefits, death allowances, transportation, private health insurance, childcare and kindergarten benefits. The average number of personnel employed by the Group as of 31 December 2014 is 5.335 (The average number of personnel employed by the Group as of 31 December 2013: 5.343).

There is no collective bargaining agreement in the Company.

26. Information regarding the donations realized within the year and social responsibility

Group's subsidiary ASELSANNET has donated TL 200 to Türk Eğitim Vakfı during the period 01 January- 31 December 2014.

27. The existence of organizations outside the center

- Branch in Republic of South Africa; Pretoria
- Office in United Arab Emirates; Abu Dhabi
- Republic of Macedonia, Skopje Branch Office

28. Information regarding the shares of the companies subject to consolidation in the parent company

There is no cross ownership relation between the companies subject to consolidation (MİKES and ASELSANNET) and the Company.

29. As for the preparation process of the consolidated financial statements; comments with respect to the principal factors of the internal audit, internal control and risk management systems of the Group and opinion of the managing body

The controls are carried out by the Internal Audit Presidency (IAP), Audit Committee and members of the Board of Auditors within the parent company in order to minimize the substantial error risk on the financial statements of the Group. IAP and Audit Committee carry out their duties independent from each other but within the direction of common objectives and targets by subject to maintain an internal control system which provides required controls in matters such as the reliability of the financial reporting system, the efficiency of the activities in order to eliminate the operational risks and compliance with the law. Furthermore, the efficiency and sufficiency of the internal control are supported with the directives in effect.

In order to determine the potential risks which may affect the Company and to govern them, the Committee for Early Determination and Management of Risks operates. The committee meets on a periodical basis and reports in every two months to the Board of Directors. The report is also shared with the independent audit firm.

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30. Direct and indirect affiliates of the Company and information regarding the share ratios

Company owns 100% of MİKES and ASELSANNET and these companies are consolidated. Company owns 100% of MİKES by acquiring 3% share of the entity in November, 2014 which previously belonged to Undersecretariat for Defense Industries (UDI). Company applied to CMB with for the permission for merging of Company and MİKES in the form of consolidation with simplified procedure, consolidation process registered officially by 20 January 2015 at Ankara Trade Registry Directorship and declared at Turkey Trade Registry Gazette at 23 January 2015 by completing necessary legal actions after Council permission which was taken in 30 December 2014.

The affiliated partnerships, subsidiaries subject to joint management and affiliates of the Group recorded as financial investments with their participation ratios and amounts are as follows:

Company Name	Share (%)	31 December 2014 (TL)
ASELSAN Bakü Şirketi	100	3.059.234
ROKETSAN-Roket Sanayi ve Ticaret A.Ş. ^(*)	14,897	313.581.850
Mikroelektronik Ar-Ge Tasarım ve Ticaret Ltd. Şti.	85	624.714
ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş.	50	50.000
ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş.	50	2.250.000
ASPILSAN Askeri Pil Sanayi ve Ticaret A.Ş.	1	147.462
Kazakhstan ASELSAN Engineering LLP	49	32.633.128
IGG ASELSAN Integrated Systems LLC	49	42.837
ASELSAN Middle East PSC LTD	49	3.233.774
TOTAL		355.622.999

^(*) Group's marketable security ROKETSAN-Roket Sanayi ve Ticaret A.Ş. was revaluated and stated at fair value. Fair value determination was performed as of 31 December 2014, by Oyak Yatırım Menkul Değerler A.Ş. which is an independent valuation company from the Group.

31. Information regarding the Company's own shares acquired by itself

No such event has occurred within the activity period.

32. Comments with respect to the private audit and governmental audit realized within the activity period

"VAT Return Process" inspection for the year 2010 which is performed in Company by Ministry of Finance Tax Inspection Board at 2014 was completed and controls of the year 2011 continues.

"Risk Analysis Study" inspection for the year 2010 is performed in MİKES which is one of the Company's subsidiary by Ministry of Finance Tax Inspection Board at 2014. At the same time, import and export processes of MİKES are inspected by Ministry of Customs and Trade Customs and Trade Inspectorship for the period between 2011 and 2013 within the scope of "Afterwards Control Programme/Analyzing".

33. Information regarding the lawsuits filed against the Company which would have an impact on the financial status and activities of the Group and their probable outcomes

The lawsuits and execution proceedings filed by or against the Group as of 31 December 2014 are summarized below:

Description	31 December 2014 (TL)
Ongoing lawsuits filed by the Group	4.693.387
Execution proceedings carried on by the Group	5.811.678
All types of ongoing lawsuits filed against the Group	936.873
Lawsuits finalized in favor of the Group within the period	119.195
Lawsuits finalized against the Group within the period	300.415

34. Comments with respect to the administrative and judicial sanctions applied to the Company and the managing members due to the acts contrary to the legislation provisions

No penalties with substantial amounts were paid by the Group within the activity period.

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35. If it is an affiliate company, the legal transactions carried out in favour of the parent company or its affiliate with the parent company, with an affiliate company connected to the parent company with the direction of the parent company and all other measures taken or avoided to be taken in favour of the parent company or its affiliate in the previous activity year

No such event occurred within the period.

36. If it is an affiliate company, whether any counter performance was realized for each legal transaction according to the known status and conditions at the time the legal transaction mentioned in article 35 was realized or at the time the measures were taken or avoided to be taken and whether the company incurred losses due to the taken or avoided measure and if the company incurred losses to observe whether this was equalized or not

No such event occurred within the activity period.

37. The determination and management assessment with respect to the Company's unpaid capital or whether the Company is deeply in debt

No such event occurred within the activity period.

38. The status of owning directly or indirectly five, ten, twenty, twenty five, thirty three, fifty, sixty seven or one hundred percent of the shares representing the capital of an equity company or in the event that the proportions go below these percentages and ground for this

- In order to produce ultraviolet, visible, close infrared cycle sensitive optical instruments, the company named "ASELSAN Hassas Optik Sanayi ve Ticaret A.Ş.", 50% of which belongs to the Company and the remaining belongs to Sivas Optik Malzemeleri Sanayi ve Ticaret A.Ş. was established. The capital of the company is TL 100.000 and the registration was made on 07 March 2014.
- ASELSAN Bilkent Mikro Nano Teknolojileri Sanayi ve Ticaret A.Ş. titled company, which belongs 50% to ASELSAN and 50% to İhsan Doğramacı Bilkent University, has established on the purpose of producing every kind of semiconductor and micro and nano dimensional instruments which including similar materials. Capital of the company is TL 18.000.000, and establishment was registered officially at 11 November 2014.
- TL 126.937 share transfer due to "Share Sales Agreement" on the subject of sale of all shares with 0,051% ratio of Company which are present at HEAŞ A.Ş. to TSKGV was paid to Company at 24 November 2014. Company no longer owns shares in HEAŞ A.Ş.
- 1.170.000 shares with 3% ratio and nominal price of TL 1.170.000 of UDI which are owned in Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. were taken over by Company with price of TL 675.174,58 and Company's ownership in Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. became 100%. Transfer of shares was registered officially at 03 December 2014.
- Merger process was completed with the decision of Board of Directors about consolidation of Mikrodalga Elektronik Sistemler Sanayi ve Ticaret A.Ş. by means of devolvement of MİKES according to simplified consolidation procedure, and ASELSAN Elektronik Sanayi ve Ticaret A.Ş. registered officially at 20 January 2015 and declared at 23 January 2015.

39. Related party transactions

Detailed table is disclosed in Note 4 under Consolidated Financial Statements of 31 December 2014.

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ANNEX-1

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

CHAPTER I. STATEMENT FOR COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

ASELSAN, in scope of the Corporate Governance Principles which has been implemented by Capital Markets Board (CMB) since 2003, has been making efforts to work in compliance with the principles under the titles shareholders, public disclosure and transparency, stakeholders and Board of Directors.

ASELSAN, adopting the corporate governance understanding as a principle, was rated with a grade of 8,77 out of 10 as the result of the Corporate Rating Studies realized by SAHA Corporate Governance and Credit Rating Services Inc (SAHA) in 2012 and therefore was included in the Borsa İstanbul Corporate Governance Index. As a result of the efforts carried out through 2013 in order to improve the compliance with corporate governance principles to the maximum level; according to the report of SAHA which was published on 13/12/2013, ASELSAN's corporate governance rating grade was updated to 9,07 out of 10 points.

Corporate governance rating grade shows to what extent the companies comply with the corporate governance principles set out by the CMB and the Company's compliance level with the principles is defined with a methodology measuring under the main titles Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors.

SAHA has revised the corporate governance ratings of all its customers on 03/03/2014, regarding the resolution of CMB's meeting numbered 4/105 held on 01/02/2013. The update is caused by the revision of 2013 corporate governance ratings within the context of renewed rating principles and is a result of change in methodology.

As per the new methodology, in case the company fulfills all the mandatory requirements of a principle, the maximum rate it can achieve shall be 85 over 100, and according to the additional good corporate governance practices regarding the related principles, the rate shall be converged to the maximum rating, 100. Within this context, our rating has been revised as 8,57 over 10.

As a result of the efforts made for improving Corporate Governance Rating during 2014, ASELSAN's corporate governance rating was updated as 9,09 over 10 on 12/12/2014 by SAHA A.Ş.

The ratings of 2013 and 2014 and the sub titles are given below:

	2013 Rating Distribution	2014 Rating Distribution
Shareholders:	82,70/100	83,30/100
Public Disclosure and Transparency :	85,30/100	98,21/100
Stakeholders:	94,80/100	93,78/100
Board of Directors	84,34/100	90,00/100
Average	8,57	9,09

ASELSAN Corporate Governance Ranking Reports published by SAHA can be accessed at the company website: www.aselsan.com.

The compliance with all the mandatory principles of Corporate Governance Principles was achieved. The titles regarding the arbitrary principles where compliance has not been achieved yet are given below and are explained in detail through the Compliance Report. There are no conflicts of interest arising because of the arbitrary principles where compliance has not been achieved.

- No recognition of minority rights to those who own less than twentieth of the capital indicated in the Articles of Association,
- Non-existence of a judgement in the Articles of Association; declaring that shareholders may individually demand the investigation of certain incidents from the General Assembly even if it is not on the meeting agenda, under the condition that the right to ask for information and investigation has been used before and if the appliance of shareholders rights is necessary,
- The article "Group A shares shall not be sold or transferred without the consent of the Board of Directors because of the Company's operations in security and defence industry; in the event that these shares are transferred or sold to third parties partially or completely without the consent of the Board of Directors, the Board of Directors is entitled to abstain from recording this sale in the records" in the Articles of Association of the company,
- Not disclosing the remuneration of Board Members and executive managers or the benefits provided to them per each individual,

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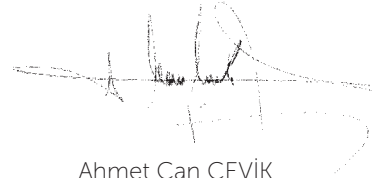
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- Non-existence of models supporting the participation of stakeholders, mainly the company personnel to the management of the company without interfering with the company's operations,
- Non-existence of female members in the Board of Directors and not setting a policy, target rate which is a minimum of 25% or a target date for female members' ratio.


Corporate Governance Committee will carry on the necessary efforts in order to achieve full compliance with Corporate Governance Principles.



Oral ERDOĞAN
Independent Member of Board of Directors
Corporate Governance Committee Chairman



Ahmet Can ÇEVİK
Member of Board of Directors
Member of Corporate Governance Committee



Mustafa Murat ŞEKER
Member of Board of Directors
Member of Corporate Governance Committee



Pınar ÇELEBİ
Investor Relations and Subsidiaries Manager
Member of Corporate Governance Committee

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CHAPTER II- SHAREHOLDERS

2.1. Investor Relations Department

The information regarding Investor Relations and Subsidiaries Department responsible for the relations with shareholders is given below.

Levent AKKOYUNLU	Chief Financial Officer/Vice President
Aykan ÜRETEN	Finance Director
Pınar ÇELEBİ	Investor Relations and Subsidiaries Manager
Bâni Betül GÖKÇE	Investor Relations and Subsidiaries Department/Senior Specialist
Başak YÜCEKAYALI	Investor Relations and Subsidiaries Department/Specialist

Contact Information

Phone: (312) 592 12 33 - 42 - 45 - 70

e-mail: ortaklar_servisi@aselsan.com.tr

Investor Relations Department has submitted the report regarding the tasks carried during 2013, to Board of Directors on 27/02/2014.

Pınar ÇELEBİ, Investor Relations Manager, has Capital Markets Transactions Advanced Level and Corporate Governance Rating Expertise Licenses.

Main operations carried out by Investor Relations Department during 2014 are as follows:

- Maintenance of exercise of partnership rights of shareholders, updated and safe records regarding shareholders,
- Coordination of public disclosure of material events,
- Answering the written inquiries of shareholders regarding the company excluding the information considered as private and trade secret not disclosed to public,
- Ensuring the execution of General Assembly meeting in compliance with the regulation in force, Articles of Association and other company regulations, records being kept regarding the ballots and the results being reported to shareholders,
- Monitoring of every issue regarding the public disclosure including the regulations and company policies on information,
- Execution of tasks assigned by Corporate Governance Committee,
- Operation of transactions regarding capital increase, dividend distribution, amendments on Articles of Association and works of Corporate Governance Principles,
- Coordination of updating the list of people who have access to insider information; informing those people in purpose of protecting the insider information and obeying the privacy rules until financial and operational results are disclosed to public,
- Coordination of preparation and publishing of Sustainability Report.

Within the period, approximately 100 of our shareholders' questions regarding exercising their rights, public disclosures made, financial tables and etc. were answered either written or verbally.

The information and explanations, which may affect the exercise of shareholders rights, are provided in the company website.

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2.2. Exercising of Information Acquisition Rights of the Shareholders

Investor Relations Department has taken care of every written and verbal inquiry of all shareholders, particularly of Turkish Armed Forces Foundation (TAFF), in 2014 with the most accurate and fastest way. It is paid attention to respond to all the information demands of shareholders with complete and comprehensible responses.

Investor Relations Department has been using the English website www.aselsan.com and Turkish website www.aselsan.com.tr actively in order to inform the ASELSAN's investors on a timely and accurate basis and has been updating the information given on the web constantly. The electronic platform is being effectively used regarding the issues that may effect exercising of the shareholders rights. The material event disclosure and other notifications made through Public Disclosure Platform (KAP) incorporated under Borsa İstanbul, are being published on our corporate website in Turkish and in English on the same day. In general, any changes occurred in the Company structure are immediately announced on our website and the investor presentations are constantly updated. Capital increases and dividend distribution information are also submitted to our investors' knowledge on the website. In addition, notifications regarding the attendance of shareholders to the General Assembly and electronic general assembly principles within the context of the new Turkish Code of Commerce are being made.

Full compliance of both Turkish and English chapters on "Investor Relations" on the website with the regulations was achieved.

Within the context of regulations of CMB, in 2014;

- General Assembly documents were published on the website in Turkish and English within legal deadlines,
- General Assembly minutes and participants list were published on the website in Turkish and English,
- 2013 Annual Report was uploaded to the website in Turkish and English,
- The report for the 1st six months' period for 2014 has been uploaded on the website in Turkish and English,
- The investor presentations which are updated every 3 months were published on the website in Turkish and English,
- Disclosures of material events made in 2014 were published on the website in Turkish and English,
- "Analyst Coverage" page was updated,
- Corrections were made on "Capital Increases" page,
- "Investor Calendar" page was added on the website and the important dates for the investors were published,
- "Key Board Resolutions" page was added on the website,
- "Chronology of Amendments on Articles of Association" was published,
- Stakeholders Policy was formed and published on the website in Turkish and English,
- Corporate Governance Rating Report was published on the website in Turkish and English.

Due to the reason that a regulation is present within the Turkish Code of Commerce (TCC) numbered 6102 according to which the shareholders will be able to request from the General Assembly the assignment of a private auditor for the inspection and disclosure of the financial status of the shareholders and due to the reason that the law and the relevant legislation are considered for the issues not present in the Articles of Association of the Company, there is no respective provision with regard to this issue in the Articles of Association. There was no request of any shareholders with respect to the assignment of a private auditor in 2014.

2.3. General Assembly Meetings

The agenda and invitation related to the 39th Ordinary General Assembly Meeting dated 31/03/2014 with regard to 2013 operations realized at the Company headquarters were duly announced comprising all the necessary information in the Turkish Trade Registry Gazette dated 05/03/2014 along with five daily newspapers in Turkey and on the website. Furthermore the invitation was sent to the main shareholders and the shareholders attended to the previous meeting by post two weeks before the General Assembly. The General Assembly was held with the attendance of 91 shareholders, 14 physically, 77 electronically representing 45.455.182.577 shares (TL 454.551.825,77 nominal) of 50.000.000.000 total shares. Media members did not participate in the General Assembly Meeting which was held simultaneously both physically and electronically.

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In scope of the Communiqué on Corporate Governance numbered II.17-1 of CMB, three weeks before the Ordinary General Assembly on date 05/03/2014, the Ordinary General Assembly Meeting agenda, place, time, copy of the power of attorney, total number of shares as of 05/03/2014 and the voting rights, the number of shares representing the privileged shares and their voting rights, the reasons for the changes by the election of the members of Board of Directors, which is present in the agenda, the decision of the Board of Directors related to the amendment to the Articles of Association, the old and new versions of the Articles of Association with the approvals of the CMB and the Ministry of Customs and Trade, the list of independent members of the Board of Directors, the proposal of the Board of Directors with respect to the 2013 year dividend distribution, the CV's of the independent members of the Board of Directors and their statements of independence were published on our Company website. The annual report was made available for the review of the shareholders at the headquarters 15 days before the General Assembly and handed to the shareholders to participate in the General Assembly and to the ones who made requests.

For the facilitation of physical attendance to General Assembly Meeting in 2014, transportation from central spots to our Akyurt facility was provided for our shareholders, and our shareholders who attended the General Assembly had a site visit.

In the Ordinary General Assembly Meeting in 2014, the shareholders were informed regarding the presence of managing members, all the Board of Directors members and auditors at the meeting. No proposals were set forth by the shareholders during the meeting regarding the agenda. The shareholders exercised their rights to ask questions regarding the topics in the agenda and the answers to the questions took place in the General Assembly Meeting minutes. There are no questions which has not been answered in the Ordinary General Assembly Meeting and answered by the Investor Relations Department later on. Within the period, there have not been any transactions of which their resolutions were submitted to General Assembly because the confirmative vote of the majority of the independent members are required where as they have voted negatively. The minutes of the General Assembly Meeting held in 2014 can be accessed from the website of our Company.

No Extraordinary General Assembly Meeting was held during the year 2014.

The shareholders were informed that no donations and aids were made in 2013, with a separate agenda item. Our Company's policy regarding the donations and aids, which was revised by the Board of Directors pursuant to the CMB legislation, was put to shareholders' vote with a separate agenda item at the ordinary general assembly meeting and the revised policy was accepted by the majority of votes.

2.4. Right to Vote and Minority Rights

In article 25 of the Articles of Association titled "Right to Vote", there is a provision stating that "the Shareholders and their representatives who are present at the Ordinary and Extraordinary General Assemblies shall have one right to vote for each share" and there is no privilege or no upper limit pertaining to the numbers of votes. The right to vote arises as soon as the share is acquired and there is no regulation setting forth that the vote shall be used when a certain time passes after the acquisition date of the share.

The regulations regarding the voting of the shareholders through their representatives are followed by; in the event of a legal representation, it is certified and the open proxy rule is applied.

Particular attention is paid in exercising the minority rights in our Company and the provisions of Turkish Code of Commerce and the relevant legislation regarding minority rights are applied as is. All shareholders are treated equally in our Company, including the minority and foreign shareholders.

There are no prevailing partners in our Company. In the Articles of Association, there is no provision with respect to the representation of the minority shares in the management and their accumulated casting of votes. Due to the voluntary implementation of this issue regarding the capital market legislation, provision with respect to the current General Assembly quorum is applied.

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2.5. Dividend Rights

There are no privileges with respect to the participation in the profit gained by the Company. The dividend distribution policy was revised in 2014 and was submitted to General Assembly meeting. The dividend distribution policy published separately in the annual report on our website is given below.

"The dividend amounts which shall be calculated considering the sustainable growth rate, market values and cash flows, the company equity, with the relevant legislation and the provisions of the articles of association over the distributable profit amount calculated taking the period profit as the basis which is shown on the financial statements of our Company prepared pursuant to the existing legal regulations (after the mandatory legal reserves are reserved and the taxes, funds and financial liabilities and losses of the previous year, if any, are deducted and the donations are added). The dividend distribution proposal which shall be prepared by the Board of Directors in order for the shares which shall be issued by means of adding the cash or the dividend on the capital on the date(s) determined pursuant to the regulations of the CMB to be distributed in cash in the defined amounts or as bonus shares or bonus shares in defined amounts, shall be submitted to the approval of the General Assembly. Following the approval of the General Assembly, the determined profit share distribution amounts are distributed to the shareholders within the legal periods on the date determined by the General Assembly.

There is no privilege to participate to the profit of our Company. The profit shares are distributed equally regardless of all the existing shares and their issue and acquiring dates.

In case of a revision made on the Dividend distribution Policy, the resolution of Board of Directors regarding this revision and the reason for revision shall be publicly announced with respect to the legislation of CMB."

As per the decision taken in the General Assembly pursuant to the provisions of the Articles of Association and to the Capital Market Law and other legal regulations in 2014 and within the legal periods, out of the profit gained from 2013 operations, the gross amount of TL 25.000.000,- (TL 0,05 per TL 1 of share, gross 5% over the capital) (net TL 21.250.000,- TL 0,0425 per TL 1 of share, net 4,25% over the capital) was distributed to our shareholders as cash dividend.

2.6. Transfer of Shares

The transfer of the nominated Group A shares representing majority part of the capital and which are not traded in Borsa İstanbul has been restricted with the provision of article 6 of the Articles of Association stating "Group A shares shall not be sold or transferred without the consent of the Board of Directors; in the event that these shares are transferred or sold to third parties partially or completely without the consent of the Board of Directors, the Board of Directors is entitled to abstain from recording this sale in the records without stating a reason". The amendment of this article was put to vote of our shareholders in the 2014 general assembly meeting as "Group A shares shall not be sold or transferred without the consent of the Board of Directors because of the Company's operations in security and defence industry; in the event that these shares are transferred or sold to third parties partially or completely without the consent of the Board of Directors, the Board of Directors is entitled to abstain from recording this sale in the records." and was accepted with the majority of votes.

CHAPTER III- PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Company Website and its Content

In order to inform our shareholders in a timely and accurate manner within the context of public disclosure and transparency; the website of the Company at the address www.aselsan.com.tr in Turkish and www.aselsan.com in English is actively used and the information published on the web are updated regularly. In 2014, full compliance acquired to related regulations and judgments under "Investor Relations" section in both the Turkish and English versions of our Company's website.

The section "Investor Relations" is included on our website also comprising the issues listed in article 2.1.1 of the corporate governance principles of Communiqué on Corporate Governance numbered II-17.1 issued by CMB on 03/01/2014.

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Under "Investor Relations" section;

1. Corporate Governance
 - 1.1 Shareholder Structure
 - 1.2 Board of Directors
 - 1.3 Key Resolutions of Board of Directors
 - 1.4 Board Committees
 - 1.5 Articles of Association
 - 1.6 Company Profile
 - 1.7 Policies
 - 1.8 Ethical Principles
 - 1.9 Corporate Governance Rating
 - 1.10 General Assembly Meeting
 - 1.11 Compliance with Corporate Governance Principles
2. Sustainability
3. Stock Info
 - 3.1 Stock Info
 - 3.2 Non-Deposit Shares
 - 3.3 Capital Increases
 - 3.4 Analyst Coverage
 - 3.5 Registration Statement and Public Offering Circular
 - 3.6 Dividend Info
4. Investor Calendar
5. Annual Reports
6. Financial Data
 - 6.1 Financial Reports
 - 6.2 Financial Highlights
 - 6.3 Investor Presentations
 - 6.4 BoD Reports
7. BİST Disclosure
8. Frequently Asked Questions
9. Contact

chapters exist. Necessary records and information are included under these titles. The information given on the Turkish website under "Investor Relations" section is included entirely on the English website.

3.2. Annual Report

The Board of Directors prepare the annual report in detail regarding the operations of the Company and which enable the public to reach complete and accurate information that can be comprehensive. The 2014 annual report of our Company was prepared as per the Turkish Code of Commerce numbered 6102, the Regulation Regarding the Determination of the Minimum Content of the Annual Reports of Companies issued by the Ministry of Customs and Trade, the Communiqué Regarding the Principles Related to Financial Reporting in the Capital Market and the Communiqué Regarding the Determination and Implementation of the Corporate Governance Principles, both issued by the CMB.

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CHAPTER IV- STAKEHOLDERS

4.1. Informing the Stakeholders

The information requests of stakeholders are keenly handled and attention is paid in responding these accurately and in an understandable manner. Our employees are informed with a personnel hand book and informing presentations over the intranet. As for our suppliers, strategic cooperation and certified suppliers policy is followed and our suppliers are informed via internet or e-platforms and face to face meetings are held through visits. The studies are being carried on in order to establish "ASELSAN Suppliers Portal" in order to enrich the content, efficiency and quality of our communication with the suppliers. While web-based electronic purchase platform is already used in the internet, the platform will be upgraded to a more comprehensive content. In the suppliers' portal, it is targeted for the suppliers to reach and govern the information regarding them.

Our Company's main principle is the continuous development, improvement and verification of processes, services and products and to provide its customers with services and products without any defects in order to meet all their requirements. For this purpose, a quality system has been established where the Quality Handbook, directives, quality plans, standards, audit and test directives are documented, exercised and constantly improved.

Our core principle related to customer satisfaction is to deliver products/services meeting the expectations and requirements of the customers. For this purpose, requirements are defined in an accurate and complete manner and products tailored for these requirements are designed and produced and the logistics support is provided accordingly. Customer satisfaction evaluations are open to access of every director within the context of Management Reports and the results and tendencies of customers are evaluated on a yearly basis by the upper management.

Our products are designed and produced in accordance with the military, civil and international standards. Starting with the design phase, these quality standards are fulfilled throughout the life-cycle of our high-end technology products and strict tests and controls are applied in every stage of production starting at the material procurement stage in order to guarantee that all products are produced in the same quality. Our products and services have been certified by internationally accepted standards such as AS9100, ISO 9001, AQAP and CMMI. The conformity of our products and services are approved every year with the audits performed.

To minimize quality problems, the suppliers are subject to commercial, technical and qualitative evaluations in order to assure that, materials and software or related services are supplied from reliable suppliers. The result of the evaluation is submitted to the suppliers and qualified ones are chosen to work with. Within this context, in 2014 orders, nearly 2.000 of which were domestic orders, were given to 3.736 suppliers.

The quotations of the suppliers and the written communications are deemed confidential and not disclosed to third parties or unauthorized people. With the directives formed, provision and implementation of unfair benefit with respect to the relations between the customers and the suppliers have been prevented.

ASELSAN Magazine published every 4 months provides information regarding the activities, technical issues and up-to-date social events. Hardcopies of ASELSAN Magazine is delivered to the end users of ASELSAN products, shareholders who participated to the General Assembly Meeting, company employees and other related parties and uploaded to the website right after it is published.

The Compensation Policy can be accessed from our company's website under Corporate Governance title.

The members of the Board of Directors and the executives do not perform any activities that may cause shareholders to incur losses or may diminish the Company assets.

It is resolved that the actions to be taken with regard to the article of Corporate Governance Principles "The company builds the necessary mechanisms through which the stakeholders may inform the corporate governance committee or audit committee about the transactions of the company which are in contradiction with the related regulation and are ethically inappropriate." shall be coordinated by the Audit Committee and the studies regarding this issue are carried on.

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4.2. Participation of Stakeholders in the Management

In the Articles of Association, there are no provisions regulating the participation of the stakeholders in the management. However, their participation to management shall be supported provided that it does not corrupt the Company activities.

The corporate governance structure of the Company gives the opportunity to all stakeholders including the employees and representatives to convey their worries with regard to transactions which are inappropriate in terms of legality and ethics.

The Company employees have the opportunity to convey their expectations and requests through the representatives. The Company employees are informed about their financial and social rights over the intranet. Besides, there is an Employee Representative Agency in the Company where 45 representatives are present and which is formed by the Company personnel to enable the contact between the Company personnel and the management.

The periodical meetings held with the employee representatives are the platforms where employers and employees exchange their wishes, requests and opinions regarding the implementations. The meeting minutes formed as the result of these meetings are announced to all personnel through the employee representatives' page on the intranet. The presidency of the employee representative is performed by Yasin Zengin and the coordinator role is carried out by Mert Kovuk. The duties and authorizations of the Employee Representative Agency is to convey the wishes, proposals and problems of the group personnel represented and to share the received opinions with the group personnel and to pay efforts to provide an open and efficient communication between the personnel and the management.

4.3. Human Resources Policy

The human resources policy of our Company is to adopt an understanding which adds successful and dynamic talents to ASELSAN family required pursuant to the vision of ASELSAN, which contributes to the sustainable success of ASELSAN with employee oriented approaches, adds value and which takes side of its employee at all times.

Within this scope and pursuant to the vision, mission and the principles of the Company, regulations have been set out pertaining to the working conditions of the personnel, their qualifications, recruitment, promoting, remuneration, rewarding, dismissal, disciplinary treatments, rights, tasks and liabilities and other personal rights.

56% of our employees stand for the engineering group, 31% for the technician group 7% for the administrative group, 3% for the office personnel and 3% of the worker group.

Among the company personnel, there are 1 chief engineer, 1 leader, 17 personnel representing the engineers, 20 personnel representing the technicians, 2 personnel representing the bureau personnel and 4 personnel representing the workers, which make up a total of 45 personnel representatives.

There were no complaints related to discrimination from the employees in 2014. Performance and rewarding policies are announced to all of our employees through Company directives.

4.4. Ethical Rules and Social Responsibility

The ethical rules of our Company have been written and were published on our website. Furthermore, in order to integrate and develop the ethical rules with the implementations, an Ethical Committee was established to meet the evaluation, direction, consulting and recommendation requirements and create shared knowledge.

"Ethical Principles and Behaviour Rules" document is announced to all ASELSAN personnel with all its exhibits and the personnel makes a written commitment that s/he acknowledges the information and ethical values. When an amendment or an update is made on this document, the changes are made known to all the personnel and training programs about these changes are organized if deemed necessary.

Ethical Committee comprises of ten members, the chairmanship of the Committee is executed by the Human Resources Management Vice President and the secretariat is handled by Human Resources Director. Other members are the representatives indicated by sectors; the Law Department and Central Procurement Department charged by the CEO. If there are no changes in the organization, the Ethical Committee members serve at least for five years.

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Ethical Committee meets 4 times a year unless an application or disobedience is present. CEO or any member of the committee can call a meeting. Beyond intervening in applications and disobedience, Ethical Committee represents reason and conscience of ASELSAN and works to increase the awareness in ASELSAN family. When there is an application, required research conclusions and necessary documents are forwarded to Ethical Committee. Committee Chairman presents these to the CEO and a parallel investigation is carried out. At the end of this investigation, necessary steps are taken in accordance with relative law and ASELSAN regulations. The applications and disobedience is reported periodically in Board of Directors meeting.

The setting and execution with respect to confidentiality principles of a mechanism, where the complaints regarding our Company's transactions which are against legislation and unethical, is the responsibility of Audit Committee. Committee's efforts regarding this issue are in progress.

An independent British institution, Carbon Disclosure Project (CDP) which reports how the risks of climate changes are managed by the companies announced the 2014 results of the Turkey Carbon Transparency Project. ASELSAN, who attended the project for the second time, has increased its previous rating and conducted successful activities regarding climate change. ASELSAN, being proud to work to leave a better world for the future generations, shall continue to take place in the national and international platforms with respect to sustainability and climate change matters with its leading applications.

Our Company is sensitive on the social activities which are supported in favour of the public in general and are respectful towards its environment. The greenhouse gas emissions of our Company are calculated by taking the TS ISO 14064 and Green House Protocol as the reference and are monitored all the time. We have certifications for ISO 14001 Environmental Management System and OHSAS 18001 Work Health and Safety Integrated Management System. In addition, since 2013 for each new personnel recruited a tree is planted.

In 2014 our Company sponsored; the activities of Turkish Armed Forces Rehabilitation and Care Center Handicapped Sports Club, the "Workshop of Microelectronic Technology, Signal Detection and Processing of Circuits and Systems for Defence and Space" which was organized by Sabancı University on 19/06/2014 - 20/06/2014 and has supported the competition "New Ideas New Jobs" organized by METU and METU Teknokent in 2014 in Defence Industry category.

CHAPTER V - BOARD OF DIRECTORS

5.1. Structure and Formation of Board of Directors

In our Company, 3 members of 9 members of Board of Directors are independent members. The duties of Nomination Committee are executed by Corporate Governance Committee. The report regarding the evaluation of the list of Independent Members of Board of Directors prepared by Corporate Governance Committee on 26/02/2014 was presented to Board of Directors on 27/02/2014 and the CV's and independence declarations of 3 nominees were announced on our website to public on 05/03/2014. As a result of the voting at the General Assembly Meeting on 31/03/2014, 3 nominees were elected as Independent Members of Board of Directors. There were no cases to eliminate the independency of the Independent Members of the Board of Directors in 2014.

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The CVs of the Members of the Board of Directors are included in the 2014 annual report and the information with respect to their duty terms is provided in the table below.

Name Surname	Duty	Election Date	Termination Date	Responsibilities other than the Company
Hasan CANPOLAT	Chairman/Managing Member	March 2014	March 2015	Consultant of Ministry of National Defence
Murat ÜÇÜNCÜ	Vice Chairman/Managing Member	March 2014	March 2015	-
Ziya AKBAŞ	Independent Member	March 2014	March 2015	Turkish Patent Institute - Brand Representative, Public Supervision Institute - Independent Auditor, R.T. Ministry of Labour Social and Security - Official Mediator, TURMOB - Expertise on Author's Rights and Financial Matters
Ahmet Can ÇEVİK	Member	March 2014	March 2015	-
Celalettin DÖVER	Independent Member	March 2014	March 2015	Consultant of the CEO of Türk Telekomünikasyon A.Ş.
Oral ERDOĞAN	Independent Member	March 2014	March 2015	Rector of Piri Reis University, Consultant of Chamber of Shipping, Consultant of Turkey Ship Building Businessman Union, Member of the Board of Istanbul Maritime R&D Publishing and Consultant Inc., Member of the Board of Turksat Satellite Communication and Cable TV Operating Inc.
Ahmet KESİK	Member	March 2014	March 2015	Lecturer in Yıldırım Beyazıt University Faculty of Politics Public Finance Theory Department
Sedat NAZLIBİLEK	Member	BoD Decision on 25/06/2014	First General Assembly Meeting to be held	Lecturer in Atılım University Mechatronics Engineering Department
Mustafa Murat ŞEKER	Member	March 2014	March 2015	Head of Department of Naval Platforms in Undersecretariat for Defence Industries
Faik EKEN	CEO	May 2014	-	-

In article 13 of the Articles of Association titled "Duties and Authorization of the Board of Directors", the duties and authorization of the Board of Directors have been defined. Besides, the Board of Directors Working Directive also describes the Duties and Authorization of the Board of Directors. With the article 14 of the Articles of Association titled "Assignment of the Authorization to the CEO", the assignment of the authorization of the Board of Directors to the CEO has been set out. The duties and authorization of the executives are described in the "Duties and Responsibilities Directive" formed within the Company.

The duties of the Members of the Board of Directors and of the CEO carried out outside the Company, information regarding the term of office and the statements of the board of members with respect to their independencies:

- There are no members of Board of Directors carrying out an executive duty.
- The statements of independence of the Independent Members of the Board of Directors have been provided at the annex of the Compliance Report.
- The Members of the Board of Directors fulfill their duties without any interest or benefit and pursuant; to the liabilities and authorizations undertaken by the Board of Directors and to the regulations of the Turkish Code of Commerce and CMB.
- Members of the Board of Directors are liable not to enter into any commercial treatments directly or indirectly with the Company that coincides with the Company objectives, on their behalf or on behalf of others without the consent of the General Assembly.

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5.2. Principles of Activity of Board of Directors

Board of Directors carries out its duties and responsibilities determined with reference to Turkish Commercial Code (TCC), Capital Market Law and Articles of Association. In this context, the basis of duties and operations are indicated in details in ASELSAN Board of Directors Working Directives.

The agenda of the Board of Directors meetings is formed with the proposals of the Members of the Board of Directors and the committees and the CEO, it is afterwards evaluated by the Board of Directors Chairman and finalized. The subjects emerged as urgent and which are considered worthwhile to discuss may be added to the agenda during the Board of Directors meeting.

As per article 10 of the Articles of Association, the Board of Directors assemble when required and at least once a month. The number of Board of Directors Meetings in 2014 was 49, where 34 of the decisions in the meetings are interim decisions. All of the Members of the Board of Directors attended 78% of the meetings.

The place, date, time and agenda of the next meeting is decided at the Board of Directors Meetings. Documents pertaining to the meeting agenda are sent to the members of Board of Directors at least 3 work days before the meeting by the Presidency.

The Members of the Board of Directors attend the meetings and fulfill their duties as per their authorization and responsibilities. The members who do not attend the meetings submit their excuses.

Board Office is established under Board of Directors in order to coordinate necessary issues in the name of the Board, particularly the relationships with the Presidency and TAFF, to execute planning and support the Board of Directors' operations.

All members have one right to vote, including the chairman. If the numbers of votes are equal, the vote of the chairman does not change the result. Abstaining is not possible, either rejection or acceptance is voted. The vote of the abstaining member is considered as a rejecting vote. The member casting a reject vote states the ground for this in the meeting minutes and undersigns it. According to the article 11 of the Articles of Association titled "Quorum of Meeting and Decision Making"; "The provisions of the TCC, Capital Market Law, regulations of the Capital Markets Board in connection with corporate governance and other relevant legislation are taken into account with respect to the meetings and decision making quorums of the Board of Directors as well as with respect to any Board of Directors members assuming duties and positions outside the Company. Any action and resolutions taken by the Board of Directors without complying with the Corporate Governance Principles, which are made mandatory as to be complied by the Capital Markets Board, are invalid and considered as in contrary to the Articles of Association". There were no related party transactions or any other significant issue, which had to be submitted to the approval of the general assembly, since they were not approved by the Independent Members of the Board of Directors.

The signed decisions are made available to the follow up of the Members of the Board of Directors and Executive Committee Members in the electronic platform.

In accordance with the article 4.2.8 of Capital Markets Board Corporate Governance Communiqué; Executive Liability Insurance Policy was signed for Board of Directors members on 18/07/2014 with the total liability amount of USD 60.000.000,- which corresponds to more than 25% of the paid-in-capital of our Company, with a validity period of 1 year.

5.3. Number of Committees Formed in the Board of Directors with Their Structures and Independency

As per the title "Committees Formed in the Board of Directors" in the Communiqué Regarding Determination and Implementation of Corporate Governance Principles by the Capital Markets Board, our Company's Board of Directors, in the meeting dated 10/04/2012, formed an Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee and announced this to the public. There are no Nomination and Remuneration Committees within the Board of Directors and the duties of these are carried out by the Corporate Governance Committee.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

The directives of Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee are made available at the website of our Company. The Independent Members of the Board of Directors and four members of the Board of Directors have duties in more than one committee. This is because it is mandatory that all members of the Audit Committee and the chairman of the other committees should be Independent Members of the Board of Directors.

Boards of Directors have made the annual evaluation of the committees composed under its structure and the evaluation report is available in 2014 Annual Report.

AUDIT COMMITTEE

Ziya AKBAŞ	Chairman/Independent Member of Board of Directors
Oral ERDOĞAN	Member/Independent Member of Board of Directors
Celalettin DÖVER	Member/Independent Member of Board of Directors

The main duties of the Audit Committee that were set out in the "ASELSAN Audit Committee Work Directives" regulating the working principles of Audit Committee are as follows;

- To enable the disclosure of the financial data of ASELSAN, to pursue the operation and efficiency of the accounting system, independent audit, internal audit and internal control system of the company,
- To assemble at least every 3 months, to share the meeting minutes with the Board of Directors

Meetings were held by Audit Committee on dates 05/03/2014, 12/05/2014, 19/08/2014 and 10/11/2014 regarding the financial statements with the participation of the relevant independent audit company in 2014.

In order to maintain the efficiency of internal audit, attention was paid to strengthen the cooperation with Internal Audit Presidency and to the supervision of internal audit activities, direct and continuous communication was established between Audit Committee and Internal Audit Presidency. A dimension of this communication; Audit Committee- Internal Audit Presidency coordination meetings, were held five times on dates 12/05/2014, 24/09/2014, 22/10/2014, 27/11/2014 and 22/12/2014.

The Committee was active in two main topics in 2014.

i. Independent Audit Activities and Works Regarding the Audited Financial Statements:

"Communiqué on Financial Reporting in Capital Markets" Serial:II, 14.1 regulated the preparation of financial reports and their basis, principles of presentation to the relevant parties. December 2013, March 2014, June 2014 and September 2014 financials and Board of Directors reports were prepared in accordance with the communiqué numbered II, 14.1, and submitted to Board of Directors by Audit Committee and presented to the public via Public Disclosure Platform.

The procurement process for independent audit services was handled by the Procurement Department and the purchasing decision that the service shall be provided by Deloitte was made by Board of Directors. The resolution was submitted for approval on the General Assembly Meeting dated 31/03/2014 and was accepted.

ii. Internal Audit Presidency:

Within the scope of the internal audit activities of the Company, the relations between the Internal Audit Presidency and the Board of Directors have been carried out through Audit Committee. A direct and continuous contact between Audit Committee and Internal Audit Presidency is present.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

CORPORATE GOVERNANCE COMMITTEE

Committee Members (2014 January - March)

Cumhur Sait Şahin TULGA	Chairman/Independent Member of Board of Directors
Erhan AKPORAY	Member/Vice Chairman of the Board of Directors
Hasan CANPOLAT	Member/Member of the Board of Directors
Orhan AYDIN	Member/Member of the Board of Directors
Mustafa Murat ŞEKER	Member/Member of the Board of Directors
Murat ÜÇÜNCÜ	Member/Member of the Board of Directors

Committee Members (2014 March - June)

Oral ERDOĞAN	Chairman/Independent Member of Board of Directors
Ahmet Can ÇEVİK	Member/Member of the Board of Directors
Nilüfer ÖZDOĞAN	Member/Member of the Board of Directors
Pınar ÇELEBİ	Member/Investor Relations and Subsidiaries Manager

Committee Members (2014 June - December)

Oral ERDOĞAN	Chairman/Independent Member of Board of Directors
Ahmet Can ÇEVİK	Member/Member of the Board of Directors
Mustafa Murat ŞEKER	Member/Member of the Board of Directors
Pınar ÇELEBİ	Member/Investor Relations and Subsidiaries Manager

The main duties of the Corporate Governance Committee were set out in the "ASELSAN Corporate Governance Committee Work Directives" as follows:

- To carry out studies for the implementation of Corporate Governance Principles in the Company,
- To observe whether the Corporate Governance Principles have been implemented or not and if not implemented to determine the grounds for this and the conflicts of interest arising due to not complying with these principles and to make proposals for improving the status,
- To monitor the studies of the Investor Relations Department.
- Corporate Governance Committee assembles every 3 months and in every situation when necessary. The meeting minutes are submitted to the Board of Directors.

The Corporate Governance Committee assembled five times within the activity year 2014 on dates, 29/01/2014, 26/02/2014, 16/06/2014, 27/08/2014 and 24/12/2014. The meeting minutes of the Committee may be reached on our website. The committee was active in three respective tasks in 2014:

i. Operations of Investor Relations Department:

Investor Relations Department have attended all the meetings in 2014, performed secretariat procedures of the committee with regard to "ASELSAN Corporate Governance Committee Working Directive" and informed the committee periodically about the tasks carried by investor relations department.

The duty of monitoring the operations of Investor Relations Department was given to Corporate Governance Committee with respect to the Communiqué on Corporate Governance. In 2014, the tasks carried by Investor Relations Department which are; the applications for amendment in Articles of Association, organization of General Assembly meeting for 2013, corporate governance rating process, independent board member election process, corporate governance rating report, corporate governance committee report, compliance with the corporate governance principles report, operations regarding the compliance to new Capital Markets Law and the revised Secondary Legislation, BİST Sustainability Index and sustainability tasks performed in ASELSAN, material event disclosures made with respect to Capital Markets Board, analyst and/or investor meetings the department attended and the tasks carried to keep "Investor Relations" page of our Company's website updated, have been monitored by the Committee.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

ii. Corporate Governance Rating:

The evaluation of corporate governance rating performed by SAHA Corporate Governance and Ranking Services on 13/12/2012 were concluded during the last quarter of 2013. According to the review, the score of 13/12/2013, 8,77 out of 10, was revised as 9,07 out of 10. SAHA has revised the 2013 corporate governance ratings of all its customers, regarding the resolution of Capital Market Board's meeting numbered 4/105 held on 01/02/2013. The update is caused by the revision of 2013 corporate governance ratings within the context of renewed rating principles and is a result of change in methodology. Within this context, our rating, which had been confirmed as 9,07 over 10 on 13/12/2013, has been revised as 8,57 over 10. Because of this revision, almost all the companies' ratings have been effected negatively. As a result of the efforts made for improving Corporate Governance Rating during 2014, ASELSAN's corporate governance rating was updated as 9,09 over 10 on 12/12/2014 by SAHA A.Ş. Our Company's share has been listed in the corporate governance index since the date 14/12/2012 which it first entered the index. Rating reports can be accessed on the company website.

iii. Election of Independent Board Members

As given by Corporate Governance Principles, the responsibility of evaluating and reporting the nominations and their independency status is given to the Nomination Committee, in companies where this committee is not formed because of the structure of the Board of Directors, the responsibility is given to Corporate Governance Committee. Within this context, the evaluation of nominations which were made until the end of February 2014 was carried on by the Committee and the resulting nominee list was presented at the Board of Directors meeting on 27/02/2014. The list was proposed to shareholders' voting on General Assembly Meeting on 31/03/2014 and as a result, Ziya AKBAŞ, Celalettin DÖVER and Oral ERDOĞAN were elected as independent members to serve for 1 year.

EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

"Early Detection and Management of Risk Committee", which was established with the resolution of ASELSAN Board of Directors on 10/04/2012, 720/1 executes its operations within the framework of regulation ASY-01-066.

The Committee members have changed in accordance with the ASELSAN Board Resolution dated 31/03/2014 and numbered 809/1.e. The members are listed below:

Committee Members (2014 January - March)

Lamia Zeynep ONAY	Chairman/Independent Member of the Board of Directors
Erhan AKPORAY	Member/Board of Directors Vice Chairman
Hasan CANPOLAT	Member/Member of the Board of Directors
Murat ÜÇÜNCÜ	Member/Member of the Board of Directors
Mustafa Murat ŞEKER	Member/Member of the Board of Directors
Orhan AYDIN	Member/Member of the Board of Directors

Committee Members (2014 April - December)

Celalettin DÖVER	Chairman/Member of the Board of Directors
Ahmet KESİK	Member/Member of the Board of Directors
Ahmet Can ÇEVİK	Member/Member of the Board of Directors

The committee continues its studies in determining the risks which may prevent ASELSAN from reaching its goals; governing these risks in accordance with the company's risk handling profile, its reporting; consideration through decision mechanisms and establishment of internal control. In this respect, in 2014 the committee held 6 meetings on 18/02/2014, 29/04/2014 25/06/2014, 27/08/2014, 22/10/2014 and 25/12/2014. Committee's works are summarized below:

- "2013 Evaluation Report" was prepared and submitted to Board of Directors' information on February 2014.
- "Corporate Risk Evaluation Report" was completed and has been submitted to Board of Directors on February 2014, April 2014, June 2014, August 2014, October 2014 and December 2014. Within the context of the operations followed with the report;
 - Important risks beared by ASELSAN were identified and risk classification, explanation, rating, strategy, owner/responsible, current control operations and relevant indicators were included in the report.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

- Warning benchmarks for risk indicators were determined and it was targeted to draw the attention of Board of Directors to the risks which go beyond the benchmark at the end of the report.
- In the meetings held by the committee, present developments regarding the risks began to be evaluated. In order to increase the operation of Corporate Risk Management System and reducing present risks to minimum, Committee suggestions and proposals are shared with related departments.

The secretariat formalities of the Committee were performed by Strategy Management Directorate for January and April 2014 periods, by Internal Audit Presidency for June and August 2014 reporting periods, and following the reorganization of ASELSAN, by Risk Measurement and Analysis Department of Strategy Management Directorate for the October and December 2014 reporting periods.

5.4. Risk Management and Internal Audit Mechanism

Internal audit operations and corporate governance are facilitated via risk management and development of efficiency of internal audit procedures in ASELSAN. The most important role of internal audit operations is assuring the Audit Committee and Board of Directors that the risks are being managed effectively. Annual audit plan and work programs are prepared on a risk basis and audit results are reported periodically to Audit Committee. Harmonization with legal and firm regulations, the status of application of ethical principles and the effectiveness of risk mitigation is evaluated by internal audit department.

5.5. Strategic Objectives of the Company

The Board of Directors is the top level body to make strategic decisions and to execute and represent. As per the Articles of Association of the Company, the Board of Directors is responsible to determine the strategic plans and control their implementations.

Strategic management process is a part of Corporate Governance and is managed by the CEO in the name of Board of Directors, following the approval of the plans prepared by the Board of Directors with the coordination of Strategic Management Committee. Reaching ASELSAN's long term goals and sustaining success can be achieved through environment friendly strategies.

ASELSAN's vision is to become one of the biggest 50 defence industry companies globally and improving its position while strengthening it. In this respect, annually updated 5 year plans and business plans and 3 year budgets are prepared. With this methodology, short and middle term targets are specified by considering long term goals. The operations to be carried out for these targets are executed by Sectors Presidencies and performance evaluations are made based on Balanced Scorecard method, which is widely used in the world.

5.6. Financial Rights

Remuneration procedures, which are set in written form in accordance with the Corporate Governance Principles, were submitted to the information of shareholders in the 39th Ordinary General Assembly Meeting under a separate item named Principles Regarding the Remuneration of Board of Directors Members and Managers with Executive Responsibility. Remuneration principles for Board of Directors Members and Managers with Executive Responsibility are published on our Company's website.

Monthly remunerations provided to our Members of the Board of Directors are determined by the General Assembly and no other benefits are granted apart from the monthly remuneration. Pursuant to the resolution taken at the 39th Ordinary General Assembly held on 31/03/2014, the Members of the Board of Directors are paid TL 3.000,- per month. As for the determination of the financial rights of the board members, no reward system is applied to reflect the Company performance and which is based on the performance of the Members of the Board of Directors.

No Member of the Board of Directors or executives has been provided with loans or credits by our Company, no credits were used as personal credits and no personal securities were granted with the intermediary of a third person.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

STATEMENT OF INDEPENDENCE

Date: 21/02/2014

To the Board of Directors of ASELSAN Elektronik Sanayi ve Ticaret A.Ş.;

I hereby agree, represent and undertake that I comply with the regulations of the Capital Market Board related to Independence Board Membership and with the criteria determined for Independence Board Membership within the scope of Corporate Governance Principles.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,



Prof. Dr. Oral ERDOĞAN

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

STATEMENT OF INDEPENDENCE

To the Board of Directors of ASELSAN Elektronik Sanayi ve Ticaret A.Ş.;

I hereby agree, represent and undertake that I comply with the regulations of the Capital Market Board related to Independence Board Membership and with the criteria determined for Independence Board Membership within the scope of Corporate Governance Principles.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,



Ziya AKBAŞ

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

STATEMENT OF INDEPENDENCE

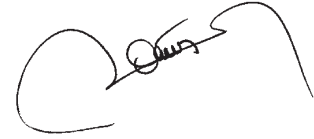
Date: 24/02/2014

To the Board of Directors of ASELSAN Elektronik Sanayi ve Ticaret A.Ş.;

I hereby agree, represent and undertake that I comply with the regulations of the Capital Market Board related to Independence Board Membership and with the criteria determined for Independence Board Membership within the scope of Corporate Governance Principles.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Celalettin DÖVER', with a large, stylized flourish extending to the right.

Celalettin DÖVER

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Annual Report of the Board of Directors For the Period Between 1 January - 31 December 2014

ASELSAN Elektronik Sanayi ve Ticaret A.Ş. Signature Section of Annual Report of the Board of Directors for the Period Between 1 January - 31 December 2014



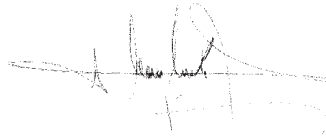
Hasan CANPOLAT
Chairman of Board of Directors



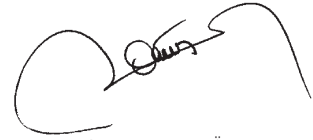
Murat ÜÇÜNCÜ
Vice Chairman of Board of Directors



Ziya AKBAŞ
Member of Board of Directors



Ahmet Can ÇEVİK
Member of Board of Directors



Celalettin DÖVER
Member of Board of Directors



Oral ERDOĞAN
Member of Board of Directors

Ahmet KESİK
Member of Board of Directors

Sedat NAZLIBİLEK
Member of Board of Directors



Mustafa Murat ŞEKER
Member of Board of Directors

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.
Statement of Responsibility

TO THE PRESIDENCY OF
BORSA ISTANBUL
Emirgan-İSTANBUL

06/03/2015
AS300-15M-6396

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

BOARD OF DIRECTORS MEETING ON APPROVAL OF FINANCIAL TABLES AND ANNUAL REPORTS

DATE OF RESOLUTION: 06/03/2015
RESOLUTION NUMBER: 849

STATEMENT OF RESPONSIBILITY AS PER SECTION TWO, ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ SERIAL NUMBERED II, NUMBERED 14

We hereby declare that;

- We have examined the consolidated balance sheet dated 31 December 2013 and comparative consolidated balance sheet dated 31 December 2014, consolidated income statement issued for the period 01 January 2013 - 31 December 2013 and comparative consolidated income statement issued for the period 01 January 2014 - 31 December 2014, consolidated additional financial tables, all audited independently, notes dated 31 December 2014 and annual report of the Board of Directors issued for the period ending on 31 December 2014,
- As per the information we obtained in line with our duties and responsibilities at the company, the financial tables and annual report of the Board of Directors do not include any comments which materially misrepresent the facts and any missing data which might be misleading as of the announcement date,
- As per the information we obtained in line with our duties and responsibilities at the Company, the consolidated financial statements prepared in accordance with the CMB Communiqué Serial II, No:14.1, accurately represents the assets, liabilities, financial position and profit or loss informations of the Company and the companies in the scope of consolidation; the annual report accurately represents the development and performance of the business, the financial position of the Company and the companies in the scope of consolidation and the significant risks and uncertainties which may company faces.

Regards,

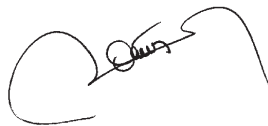
ASELSAN A.Ş.



Ziya AKBAŞ
Audit Committee Chairman



Prof. Dr. Oral ERDOĞAN
Audit Committee Member



Celalettin DÖVER
Audit Committee Member



Dr. Levent AKKOYUNLU
Chief Financial Officer
Vice President

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Assessment Report Regarding Committee Activities in 2014

ASELSAN A.Ş. BOARD of DIRECTORS

In accordance with the title "Committees Formed within the Structure of Board of Directors" of Capital Markets Board's (CMB) "Communiqué on Determination and Application of Corporate Governance Principles"; Audit Committee, Corporate Governance Committee and Early Detection and Management of Risk Committee were formed and disclosed to public in our Company's Board of Directors meeting held on 31/03/2014. There are no Nomination and Remuneration Committees within the formation of Board of Directors and in accordance with the Communiqué the duties of these are carried out by the Corporate Governance Committee.

At our Company's Board of Directors meeting held on 31/03/2014 following the Ordinary General Assembly Meeting; in accordance with the Communiqué of CMB it was resolved that,

- Independent Member of Board of Directors Ziya AKBAŞ shall be assigned as the chairman and Independent Members of Board of Directors Celalettin DÖVER and Oral ERDOĞAN shall be assigned as members of the Audit Committee,
- Independent Member of Board of Directors Oral ERDOĞAN shall be assigned as the chairman and Mustafa Murat ŞEKER, Nilüfer ÖZDOĞAN and pursuant to Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, Pınar ÇELEBİ shall be assigned as the members of Corporate Governance Committee,
- Independent Member of Board of Directors Celalettin DÖVER shall be assigned as the chairman and Ahmet KESİK and Ahmet Can ÇEVİK shall be assigned as the members of the Early Detection and Management of Risk Committee.

In the Board of Directors Meeting dated 25/06/2014, it has been resolved to appoint Mr. Sedat NAZLIBİLEK as the board member to the position became vacant by the resignation of our Company's Board of Directors member Nilüfer ÖZDOĞAN on 25/06/2014, and to submit this resolution to the approval of the first general assembly according to 363th article of Turkish Commercial Code and Board of Directors member Ahmet Can ÇEVİK shall be assigned as the member of Corporate Governance Committee to the vacant position as a result of this resignation.

While resolving on the forming of committees, Board of Directors paid attention for the members of the Audit Committee; the chairmen of Corporate Governance Committee and Early Detection and Management of Risk Committee to be chosen from the independent members of the Board of Directors and Investor Relations Department executive is a member of the Corporate Governance Committee within the framework of Capital Markets Board regulation.

The work directives, which regulate the field of activities and working principles of the committees, are approved by the Board of Directors and are submitted to public information in our Company website.

In 2014, each Board of Directors Committee fulfilled its duties and responsibilities and worked efficiently, with regard to Corporate Governance Principles and their own work directives.

Audit Committee assembled four times within the year 2014 on dates 05/03/2014, 12/05/2014, 19/08/2014 and 10/11/2014. The issues submitted to the information and assessment of Audit Committee and the tasks carried out within the scope of the meetings held, are summarized below:

- The discussion of financial tables dated 31/12/2013, 31/03/2014, 30/06/2014 and 30/09/2014 and their submission to Board of Directors.
- The discussion of 2013 dividend distribution proposal.
- Assessments regarding the election of the independent audit company which will carry the audit task in year 2014 and its submission to Board of Directors.
- In order to maintain the efficiency of internal audit, holding coordination meetings with Internal Audit Presidency on dates 12/05/2014, 24/09/2014, 22/10/2014, 27/11/2014 and 22/12/2014, to strengthen the communication.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Assessment Report Regarding Committee Activities in 2014

Corporate Governance Committee assembled five times within the year 2014 on dates 29/01/2014, 26/02/2014, 16/06/2014, 27/08/2014 and 24/12/2014. The issues submitted to the information and assessment of Corporate Governance Committee and the tasks carried out within the scope of the meetings held, are summarized below:

- Election process of independent board of directors members.
- Investor Relations Department and its operations.
- Corporate governance rating.
- Preparation of ASELSAN 2013 Compliance with Corporate Governance Principles Report and its submission to Board of Directors.

Corporate Governance Committee, which was formed in order to monitor our Company's compliance to Corporate Governance Principles, to conduct studies about the enhancement of compliance and to propose suggestions to the Board of Directors; have detected whether Corporate Governance Principles are applied in our Company or not, and if not, the reason for it along with the conflicts occurring because of not complying fully to these principles; have submitted proposals for improvement of Corporate Governance practices to the Board of Directors and monitored the activities of Investor Relations Department.

Early Detection and Management of Risk Committee assembled six times within the year 2014 on dates 18/02/2014, 29/04/2014, 25/06/2014, 27/08/2014, 22/10/2014 and 25/12/2014. The issues submitted to the information and assessment of Early Detection and Management of Risk Committee and the tasks carried out within the scope of the meetings held, are summarized below:

- "2013 Assessment Report" was prepared and submitted to the information of Board of Directors in February 2014.
- "Corporate Risk Evaluation Report" was prepared, and submitted to Board of Directors in February 2014, April 2014, June 2014, August 2014, October 2014 and December 2014. Within the framework of the tasks conducted regarding the report:
 - The data on class, statement, level, strategy, owner/responsible, current control activities and the related indicator regarding the risks ASELSAN is exposed to, are included in the report.
 - In order to monitor the developments regarding the risks, for the applicable risks, risk indicators were used and the risks exceeding the alert values were included at the end of the report, aiming to bring them to the Board of Directors' attention.
 - At the meetings held by the Committee, the existing developments regarding the risks and indicator data were evaluated. Committee advices and suggestions aiming to increase the efficiency of the Corporate Risk Management System and to minimize the current risks, are shared with the relevant departments and authorities and control activities are monitored.

Early Detection and Management of Risk Committee which carried out studies in order to early-detect the risks that threaten the existence, development and continuity of our Company, to take precautions against detected risks and manage risks; have also inspected our Company's risk management systems in compliance with the Corporate Governance Principles and Early Detection and Management of Risk Committee work directives throughout the year since its establishment.



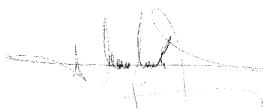
Hasan CANPOLAT
Chairman of Board of Directors



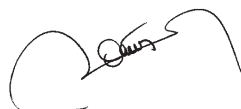
Murat ÜÇÜNCÜ
Vice Chairman of Board of Directors



Ziya AKBAŞ
Member of Board of Directors



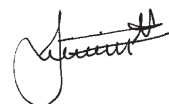
Ahmet Can ÇEVİK
Member of Board of Directors



Celalettin DÖVER
Member of Board of Directors



Oral ERDOĞAN
Member of Board of Directors



Mustafa Murat ŞEKER
Member of Board of Directors

Ahmet KESİK
Member of Board of Directors

Sedat NAZLIBİLEK
Member of Board of Directors

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Audit Committee Work Directives

1. PURPOSE

The purpose of These Directives is to determine duties, authorities, responsibilities and work principles of the Audit Committee.

2. SCOPE

These Directives cover the works and activities to be performed by the Audit Committee as per the related regulations.

3. DEFINITIONS

3.1 Independent Auditing Firm (IAF): Firms meeting the requirements of the Capital Markets Board Communiqué and granted with the authority of independent audit on the capital market as per Article 22, 4/c of the Act.

3.2 Auditor: Auditor titles of any seniority and rank assigned to make audits by the Independent Auditing Firms.

3.3 Audit Committee: Committee appointed among the company's Board of Directors as per Capital Markets Board Communiqué Serial numbered X, numbered 22.

3.4 Audit Committee Secretariat: ASELSAN personnel arranging operations and meetings of Audit Committee, archiving correspondences and coordinating communication between the members.

3.5 Financial Tables: Balance sheets and incomes statements issued as interim and annual documents, including the footnotes, and tables enclosed to such documents.

3.6 Financial Reports: Reports including financial tables, Board of Directors activity reports and states of responsibility.

3.7 Internal Auditor: Personnel assigned for internal auditing activities.

3.8 Internal Audit Department (IAD): ASELSAN Department in charge of internal audit activities.

3.9 Executives: Persons having titles such as under Financial Management Vice Presidency, Vice President, Director and Managers that are authorized to represent and bind the company.

3.10 Stakeholders: In achieving the objectives of the Company or with an interest in the activities of employees, creditors, customers, suppliers, various non-governmental organizations as well as individuals, institutions or interest groups.

4. RELATED REFERENCE DOCUMENTS

4.1 Capital Markets Board Communiqué on Independent Audit on Capital Market dated 12.06.2006, Serial numbered X and numbered 22.

4.2 Capital Markets Board Communiqué on Determination and Practice of Corporate Governance Principles dated 03.01.2014, Serial numbered II and numbered 17.

4.3 ASELSAN Board of Directors Work Directives numbered ASY-01-060.

4.4 Turkish Commercial Code (TCC).

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Audit Committee Work Directives

5. DUTIES AND RESPONSIBILITIES

5.1. BOARD OF DIRECTORS' DUTIES AND RESPONSIBILITIES REGARDING THE AUDIT COMMITTEE

5.1.1. Appointing Audit Committee members,

5.1.2. Authorizing Committee Members,

5.1.3. Making separate Board of Directors Resolution for approving interim and annual financial tables and reports evaluated by the Committee and submitted to the Board of Directors,

5.1.4. Taking necessary actions for facilitating operations of Audit Committee members.

5.2. DUTIES, AUTHORITIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

5.2.1. GENERAL DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

5.2.1.1. The Audit Committee shall ensure; company's accounting system, public disclosure of financial information, independent audit of the Company's internal control and makes supervision of the operation and effectiveness of the internal control system. Selection of independent audit company, prepared independent audit contracts and the initiation of the audit process and the independent auditors' work in each stage is carried out under the supervision of Audit Committee.

5.2.1.2. The Audit Committee notify, their duties and responsibilities identified in the field and their evaluations and recommendations on the subject immediately to the Board of Directors.

5.2.1.3. The Audit Committee's duties include reviewing, settling the complaints forwarded to the Company about ASELSAN's accounting, internal audit system and independent audit; determining the methods and criteria to be practiced on assessing company personnel's statements on company's accounting and independent audit as per the confidentiality principles are determined by Audit Committee.

5.2.1.4. The Audit Committee might seek assistance of independent consultants on matters required for its operations provided that the costs shall be covered by ASELSAN. But in this case the person who received services/organizations with information about these people/organizations of any relationship with the company on the issue of whether information is given in the annual report.

5.2.1.5. The duties and responsibilities of the Audit Committee shall not relive Board of Directors from its responsibilities imposed by the Turkish Commercial Code.

5.2.2. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING INDEPENDENT AUDIT OF ASELSAN

5.2.2.1. The Audit Committee shall determine the services to be provided by the Independent Auditing Firm and services and submit to the Board of Directors approval.

5.2.2.2. It shall ensure signing a contract with IAF.

5.2.2.3. It shall monitor compliance with contract provisions during IAF operations.

5.2.2.4. It shall always be in contact with the independent auditor for monitoring any incidents having an impact on the independency or objectivity of the independent auditor and shall ensure elimination of such incidents, if any, and efficient performance of the auditor.

5.2.2.5. It shall evaluate the outcomes of audits performed by IAF and financial tables at the joint meetings to be scheduled.

5.2.2.6. It shall evaluate the important findings received from IAF about ASELSAN accounting policy and practices and the auditor's suggestions.

5.2.2.7. It shall obtain the correspondences made between IAF and ASELSAN Management from the Firm.

5.2.2.8. It shall ensure that Independent Audit activities are included on the Board of Directors agenda minimum every 3 months for the purpose of determining efficiency of IAF operations.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Audit Committee Work Directives

5.2.2.9. IAF shall immediately inform the Audit Committee in written about important issues related to ASELSAN's accounting policy and practices, alternative implementation and public disclosure options from Public Oversight Accounting and Auditing Standards Authority as per the firm's accounting standards and accounting principles previously declared to the Company management and possible outcomes, practice suggestions as well as important correspondences made with the Company management.

5.2.3. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING THE FINANCIAL REPORTS

5.2.3.1. The Audit Committee shall consult the company's authorized executives and IAF about interim and annual financial reports to be disclosed to the public in terms of compliance to the Company's accounting principles and to the actual figures and shall inform the Board of Directors in written with its own evaluation.

5.2.3.2. It shall sign the interim and annual financial tables, activity reports controlled and undersigned by the ASELSAN's authorized executives as well as the statement of responsibility enclosed as Annex-A quarterly and ensure public disclosure of these.

5.2.3.3. Financial Reports approved by the Audit Committee and Board of Directors shall be disclosed to the public on the Public Disclosure Platform and Company's website.

5.2.4. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING TO INTERNAL CONTROLS

5.2.4.1 It shall monitor efficiency and adequacy of the internal control system adopted by the company and its subsidiaries and ensures its acknowledgement by the personnel and support of the management.

5.2.4.2. It shall evaluate auditor and internal auditor suggestions related to internal control and whether or not the necessary ones are applied.

5.2.4.3. It shall monitor the process of forming a mechanism for reviewing and settling complaints received from Stakeholders related to company transactions, which violate the regulation and are unethical, and its operations as per the confidentiality principle.

5.2.5. DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE REGARDING TO THE INTERNAL AUDITS

5.2.5.1. It shall review efficiency of IAD directives, structure and activities and ensure settlement of particulars limiting the internal audit operations.

5.2.5.2. It shall monitor the coordination and communication between the IAD and Company's other departments, subsidiaries and independent audits for ensuring smooth processes.

5.2.5.3. It shall evaluate the audit plans and internal audit reports issued by IAD.

5.3. DUTIES AND RESPONSIBILITIES OF AUDIT COMMITTEE SECRETARIAT

5.3.1. It shall provide communication between the members, prepare committee meetings, keep meeting minutes and duly archive correspondences.

5.3.2. It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure utmost efficiency.

5.3.3. It shall ensure timely communication all of kinds of information to the committee members.

5.3.4. It shall always keep the records available to the members.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Audit Committee Work Directives

6. STRUCTURE OF THE AUDIT COMMITTEE

6.1. The Audit Committee shall be as a member of Board of Directors and have minimum 2 (two) members. If the committee has two members the both members shall be Board of Directors Non-executive independent members. If there are more than two members, then the same rule shall be applicable for majority of the members. Members of the Audit Committee should have experience at least five (5) years at audit/accounting and finance subject.

6.2. As per the Capital Markets Board regulations, the Audit Committee shall be formed and authorized on the first Board of Directors Meeting held after the Annual Ordinary ASELSAN General Assembly Meeting.

6.3. At least two Audit Committee members shall be required for the committee meetings and at least two members are required for decisions.

6.4. The Audit Committee shall convene minimum every 3 months and four times a year and outcome of the meeting connecting with the minute submitted to the Board of Directors. The audit committee's activities and about the outcome of the meeting must be disclosed in the annual report. During the period how many times the audit committee makes written notification to the Board shall indicated in the annual report.

6.5. The Committee's secretariat duties related to the financial tables shall be performed by the Chief Office of Capital Markets Board Financial Control and Reporting attached to the Accounting Department and the secretariat duties related to internal control and internal audit activities shall be performed by IAD.

7. ENFORCEMENT

These Directives have been approved by the Board of Directors as per the resolution dated 22.09.2003 and numbered 443/16 and came into force as of 25.09.2003

8. EXECUTION

The Audit Committee shall be responsible for executing the provisions listed on these Directives.

9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

10. ANNEX- STATEMENT OF RESPONSIBILITY

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Audit Committee Work Directives

ANNEX- STATEMENT OF RESPONSIBILITY

TO THE PRESIDENCY OF BORSA ISTANBUL
AS300-15M-

.././20xx

ASELSAN ELEKTRONİK SANAYİ VE TİCARET A.Ş.

BOARD OF DIRECTORS MEETING ON APPROVAL OF FINANCIAL TABLES AND ANNUAL REPORTS

DATE OF RESOLUTION:

RESOLUTION NUMBER:

STATEMENT OF RESPONSIBILITY AS PER SECTION TWO, ARTICLE 9 OF THE CAPITAL MARKETS BOARD COMMUNIQUÉ SERIAL NUMBERED II, NUMBERED 14

We hereby declare that;

- We have examined the consolidated balance sheet dated .././20xx and comparative consolidated balance sheet dated .././20xx, consolidated income statement issued for the period .././20xy - .././20xy and comparative consolidated income statement issued for the period .././20xx - .././20xx, consolidated additional financial tables, all audited independently, notes dated .././20xx and annual report of the Board of Directors issued for the period ending on .././20xx,
- As per the information we obtained in line with our duties and responsibilities at the company, the financial tables and annual report of the Board of Directors do not include any comments which materially misrepresent the facts and any missing data which might be misleading as of the announcement date,
- As per the information we obtained in line with our duties and responsibilities at the Company, the consolidated financial statements prepared in accordance with the CMB Communiqué Serial II, No:14.1, accurately represents the assets, liabilities, financial position and profit or loss informations of the Company and the companies in the scope of consolidation; the annual report accurately represents the development and performance of the business, the financial position of the Company and the companies in the scope of consolidation and the significant risks and uncertainties which may company faces.

REGARDS,

ASELSAN A.Ş.

Audit Committee
Chairman

Audit Committee
Member

Audit Committee
Member

Deputy General
Manager

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Board of Directors' Early Detection and Management of Risk Committee Work Directives

1. PURPOSE

The purpose of these directives is to determine the duties, authorities, responsibilities and work principles of the Early Detection and Management of Risk Committee, which is established under Article 378 of the Turkish Commercial Code numbered 6102 and Board of Directors Resolution dated 10/04/2012, as per the Turkish Commercial Code and Corporate Governance Principles announced by the Capital Markets Board.

2. SCOPE

These directives cover works and actions to be performed as per the Turkish Commercial Code and Corporate Governance Principles by the Early Detection and Management of Risk Committee and/or Company personnel not a member of the Committee but assigned by the Committee.

3. DEFINITIONS

3.1. Independent Auditing Firm (IAF): Firms meeting the requirements of the Capital Markets Board Communiqué and granted with the authority of independent audit on the capital market as per Article 22/d of the Act.

3.2. Auditor: Auditor titles of any seniority and rank assigned to make audits by the Independent Auditing Firms

3.3. Early Detection and Management of Risk Committee (Committee): A committee to be appointed by the Board of Directors among the Board of Directors members or third parties specialized in certain areas for the purpose of fulfilling the liabilities listed on the Turkish Commercial Code for systematic early detection and management of company risks and executing, coordinating related risks.

3.4. Early Detection and Management of Risk Committee Secretariat (Secretariat):

ASELSAN personnel arranging operations and meetings of Early Detection and Management of Risk Committee, archiving correspondences and coordinating communication between the members.

3.5. Capital Markets Board: Public legal entity established as per Article 17 of the Capital Market Law.

3.6. Company: ASELSAN Elektronik Sanayi ve Ticaret A.S.

4. RELATED REFERENCE DOCUMENTS

4.1. Turkish Commercial Code.

4.2. Capital Markets Board Regulations.

4.3. Corporate Governance Principles published by the Capital Markets Board

4.4. Regulations, provisions and principles on ASELSAN Articles of Association

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Board of Directors' Early Detection and Management of Risk Committee Work Directives

5. DUTIES AND RESPONSIBILITIES

5.1. DUTIES AND RESPONSIBILITIES OF ASELSAN EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

5.1.1. The main function of the Early Detection and Management of Risk Committee is early detection of risks threatening existence, development and sustainability of ASELSAN as well as taking action for the risks determined and trying to manage the risks determined.

5.1.2. The Committee shall determine, identify the potential risks having an impact on ASELSAN beforehand and ensure duly management of the risks according to the risk-taking approach of the company.

5.1.3. It shall evaluate the situation by means of a report to be submitted to the Board of Directors every two months as well as pointing out the threats, if any, and suggesting solutions. Coordinating with the Board of Directors, the Committee shall also present the report to the Auditor.

5.1.4. It shall review the changes suggested to the risk management systems by the Risk Measurement and Analysis Department under Strategy Management Directorate as often as the agenda permits but minimum once a year.

5.1.5. The Committee shall advise the Board of Directors on internal audit systems including risk management and information systems and processes minimizing the risks and related impacts to be suffered by the shareholders and company stakeholders.

5.1.6. The Committee shall prepare an annual assessment report, including meeting frequency of Committee members and activities performed, which shall be included in the Annual Company Activity Report and basis to the Board of Directors assessment related to the work principles and Committee's efficiency.

5.1.7. The resolutions taken at the meetings shall be documented and undersigned by the Committee Members and archived by the Secretariat.

5.2. DUTIES AND RESPONSIBILITIES OF THE EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE SECRETARIAT

5.2.1. It shall provide communication between the members, prepare committee meetings, keep meeting minutes and duly archive correspondences.

5.2.2. It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure utmost efficiency.

5.2.3. It shall ensure timely communication all of kinds of information to the committee members.

5.2.4. It shall always keep the records available to the members.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Board of Directors' Early Detection and Management of Risk Committee Work Directives

6. STRUCTURE AND AUTHORITIES OF THE EARLY DETECTION AND MANAGEMENT OF RISK COMMITTEE

6.1. COMMITTEE'S STRUCTURE

6.1.1. The Committee shall be formed and authorized at the first Board of Directors meeting held after the Annual Ordinary General Assembly Meeting of the company, as per the Capital Markets Board regulations.

6.1.2. The Committee shall have minimum two members. If the committee has two members then both members shall be Board of Directors members not having executive function and if there are more than two members, then majority of the members shall not have executive functions. Third parties specialized in certain areas can also be appointed as Committee members. The Committee chairman shall be appointed among Independent Members of Board of Directors.

6.1.3. The Chief Executive Officer/General Manager shall not take office in the committee.

6.1.4. The secretariat formalities of the Committee including the preparation of the report submitted to the Board of Directors shall be performed by ROAM under Strategy Management Directorate.

6.1.5. One more than half of the total members shall be required for committee meetings and majority is required for decisions.

6.1.6. The Committee shall convene once every two months, unless otherwise is required, and, if required, it shall convene at the Company's registered office following a call to be made by the Secretariat on behalf of the Committee Chairman. The Committee Chairman might offer to reschedule the meeting date, hour and place provided that the Committee Members are informed beforehand.

6.2 AUTHORITIES OF THE COMMITTEE

6.2.1. If required, the Committee shall start special inspections and appoint people specialized in their areas as consultant for the purpose of ensuring assistance in such inspections.

6.2.2. If required, the Committee shall hold meetings with representatives of Company's related parties and specialists, including Company personnel or subsidiaries; and under the provision of the Board of Directors and coordinated with the General Manager, it shall seek external and professional consultancy service.

6.2.3. The Committee shall act according to its authorities and responsibilities and make recommendations to the Board of Directors however the Board of Directors shall always have the final decision making responsibility and the Committee shall not relieve the Board of Directors from its duties and responsibilities arising from the Turkish Commercial Code.

7. ENFORCEMENT

These directives have been approved by the Board of Directors as per the resolution dated 29/11/2012 and numbered 750/4.3.e and came into force as of 29/11/2012.

8. EXECUTION

ASELSAN Early Detection and Management of Risk Committee shall be responsible for executing the provisions listed on these directives.

9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Board of Directors' Corporate Governance Committee Work Directives

1. PURPOSE

The purpose of these directives is to determine the duties, authorities, responsibilities and work principles of the Corporate Governance Committee established as per the Corporate Governance Principles announced by the Capital Markets Boards (CMB).

2. SCOPE

These directives cover works and actions to be performed as per the Corporate Governance Principles by the Corporate Governance Committee and/or Company personnel not a member of the Committee but assigned by the Committee.

3. DEFINITIONS

3.1. Corporate Governance: Index of relations between the Board of Directors, shareholders and other stakeholders of a company.

3.2. Corporate Governance Committee (Committee): A committee to be appointed by the Board of Directors among the Board of Directors members or third parties specialized in certain areas for the purpose of executing and coordinating Corporate Governance Principles related formalities of the Company, provided that majority of the members are from the Board of Directors and the executive of Investor Relations Department shall be appointed as a member of the Committee.

3.3. Corporate Governance Committee Secretariat (Secretariat): ASELSAN personnel arranging operations and meetings of Corporate Governance Committee, archiving correspondences and coordinating communication between the members.

3.4. Capital Markets Board: Public legal entity established the Capital Market Law numbered 6362.

3.5. Company: ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

4. RELATED REFERENCE DOCUMENTS

4.1. Capital Markets Board Regulations.

4.2. Corporate Governance Principles published by the Capital Markets Board.

4.3. Prepared as per the regulations, provisions and principles on ASELSAN Articles of Association.

5. DUTIES AND RESPONSIBILITIES

5.1. DUTIES AND RESPONSIBILITIES OF ASELSAN CORPORATE GOVERNANCE COMMITTEE

5.1.1. The Corporate Governance Committee shall mainly work on implementing corporate governance principles at the Company.

5.1.2. The Committee shall determine whether or not the Corporate Governance Principles are implemented and if not implemented, the Committee shall determine the reasons as well as conflicts of interest caused by failing to fully comply with these principles.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Board of Directors' Corporate Governance Committee Work Directives

5.1.3. It shall monitor the operations of Investor Relations Department.

5.1.4. It shall play a leading part in maintaining effective communication between the Board of Directors, Company and shareholders, eliminating and settling any possible disputes as well as advising the Board of Directors accordingly.

5.1.5. The Committee shall advise the Board of Directors on due effectiveness of infrastructures related to management applications aiming at improving company performance as well as acknowledgement by the personnel and support of the management.

5.1.6. The Committee shall issue the Company's Corporate Governance Compliance Report.

5.1.7. The Committee shall revise the Company's Activity Report to be disclosed to the public and checks whether or not the information included in the Report conform to the information possessed by the Committee.

5.1.8. The Committee shall prepare an annual assessment report, including meeting frequency of Committee members and activities performed, which shall be included in the Annual Company Activity Report and basis to the Board of Directors assessment related to the work principles and Committee's efficiency.

5.1.9. The Committee shall make suggestions ensuring compliance to the law and regulations, company's Information Policy in terms of public disclosures to be made.

5.1.10. The Committee shall present its operations and suggestions to the Board of Directors in the form of a report.

5.1.11. The resolutions taken at the meetings shall be documented and undersigned by the Committee Members and archived by the Secretariat.

5.1.12. If Nomination Committee and Remuneration Committee cannot be established separately due to the structure of the Board of Directors, the Committee shall perform the duties assigned to these committees as per the Corporate Governance Principles published by the Capital Markets Board.

5.1.13. Within the scope of the responsibilities of Nomination Committee; the Committee carries the duties on creating a transparent system for the evaluation of the nominees for Board of Directors and the nominees for the executives with administrative responsibility, their training and setting out policies and strategies regarding these matters. In this context, the Committee also regularly makes assessments on the structure and efficiency of Board of Directors and presents suggestions for improvement related to these issues.

5.1.14. Within the scope of the responsibilities of Remuneration Committee; the Committee determines and monitors the principles, criteria and the practices for the remuneration of the members of Board of Directors and executives with administrative responsibility, considering the long term objectives of the Company. In this context, the Committee also presents suggestions about the remuneration of the members of Board of Directors and executives with administrative responsibility, taking the level of achievement regarding the remuneration criteria met into account.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Board of Directors' Corporate Governance Committee Work Directives

5.2. DUTIES AND RESPONSIBILITIES OF THE CORPORATE GOVERNANCE COMMITTEE SECRETARIAT

5.2.1. It shall provide communication between the members, prepare Committee meetings, keep meeting minutes and duly archive correspondences.

5.2.2. It shall plan, realize and follow up formalities before, during and after the Committee meetings in order to ensure utmost efficiency.

5.2.3. It shall ensure timely communication all of kinds of information to the Committee members.

5.2.4. It shall always keep the records available to the members.

5.2.5. It shall periodically submit reports on investor questions and content.

6. STRUCTURE AND AUTHORITIES OF THE CORPORATE GOVERNANCE COMMITTEE

6.1. COMMITTEE'S STRUCTURE

6.1.1. The Committee shall be formed and authorized at the first Board of Directors meeting held after the Annual Ordinary General Assembly Meeting of the company, as per the Capital Markets Board regulations.

6.1.2. The Committee shall be formed by at least 3 (three) members; two of whom shall be members of Board of Directors and one shall be the Investor Relations Department Executive. The majority of the members of Board of Directors in the Committee shall not have executive functions. Investor Relations Department Executive must have the "Capital Markets Activities Advanced Level" and "Corporate Governance Rating Expertise" certificates and must be working full time in the Company.

6.1.3. Third parties specialized in certain areas who are not members of Board of Directors can also be appointed as Committee members. The Committee Chairman shall be appointed among Independent Members of Board of Directors.

6.1.4. The Chief Executive Officer/General Manager shall not take office in the Committee.

6.1.5. The secretariat formalities of the Committee shall be performed by Investor Relations Department.

6.1.6. One more than half of the total members shall be required for Committee meetings and majority is required for decisions.

6.1.7. The Committee shall convene every 3 (three) months as a principle and, if required, it shall convene at the Company's registered office following a call to be made by the Secretariat on behalf of the Committee Chairman. The Committee chairman might reschedule the meeting date, hour and place provided that the Committee Members are informed beforehand.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.

Board of Directors' Corporate Governance Committee Work Directives

6.2. AUTHORITIES OF THE COMMITTEE

6.2.1. If required, the Committee shall start special inspections and appoint people specialized in their areas as consultant for the purpose of ensuring assistance in such inspections.

6.2.2. If required, the Committee shall hold meetings with representatives of Company's related parties and specialists, including Company personnel or subsidiaries; and it shall seek external and professional consultancy service.

6.2.3. The Committee shall act according to its authorities and responsibilities and make recommendations to the Board of Directors however the Board of Directors shall always have the final decision making responsibility.

7. ENFORCEMENT

These directives have been approved by the Board of Directors as per the resolution dated 23.02.2006 and numbered 529/2.d and came into force as of 30.05.2006.

8. EXECUTION

ASELSAN Corporate Governance Committee shall be responsible for executing the provisions listed on these directives.

9. CIRCULATION PLAN

The document shall be circulated as per ASELSAN PLAN A. It shall be published to all users via intranet and internet.

ASELSAN Elektronik Sanayi ve Ticaret A.Ş.
Profit Distribution Proposal

ASELSAN A.Ş. ELEKTRONİK SANAYİ VE TİCARET A.Ş. 2014 PROFIT DISTRIBUTION TABLE (TL)			
1- Issued Capital		500.000.000,00	
2- First Legal Reserve (According to Legal Records)		72.087.783,90	
Information regarding the privileges on profit distribution as per the Company Articles of Association, if there are any		There are no privileges.	
		According to Capital Markets Board	According to the Legal Records
3-	Profit for the Period	350.094.919,00	184.598.383,00
4-	Taxes Payable (-)	0	0
5-	NET PROFIT FOR THE PERIOD (=)	350.094.919,00	184.598.383,00
6-	Accumulated Loss (-)	0	0
7-	First Legal Reserve (-)	9.229.919,15	9.229.919,15
8-	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	340.864.999,85	175.368.463,85
9-	Donations Made throughout the Year (+)	200,00	
10-	Net Distributable profit for the period, donations included	340.865.199,85	
11-	First Dividend to Shareholders	25.000.000,00	25.000.000,00
	- Cash	25.000.000,00	25.000.000,00
	- Non paid-up share	0	0
	- Total	25.000.000,00	25.000.000,00
12-	Dividends distributed to Preferred Shareholders	0	0
13-	Dividends distributed to;	0	0
	- Members of the Board of Directors	0	0
	- Employees	0	0
	- Others than Shareholders	0	0
14-	Dividends distributed to Holders of Usufruct Right Certificates	0	0
15-	Second Dividend to Shareholders	0	0
16-	First Legal Reserve	0	0
17-	Statutory Reserve	0	0
18-	Special Reserve	0	0
19-	EXTRAORDINARY RESERVE	315.864.999,85	150.368.463,85
20-	Other resources to be distributed	0	0

As presented in the table above, of the net profit after the taxes and legal liabilities to be paid are deducted from the profit of period that is generated by our company from its 2014 activities;

- In accordance with Article 519/(1) of the Turkish Commercial Code, General Legal Reserves amounting to TL 9.229.919,15 is going to be allocated,
- Net distributable profit to the shareholders for the period, calculated in the framework of the profit distribution regulations and decisions of the Capital Markets Board is proposed as: Gross profit, TL 25.000.000 (TL 0,05 per share of TL 1 and 5% on the basis of the capital) (net profit TL 21.250.000 – TL 0,0425 per share of TL 1 and 4,25% on the basis of the capital) as in the form of cash,
- The remaining profit is going to be allocated as Extraordinary Legal Reserves, and distribution of the dividends to the shareholders are planned to be distributed as of May 29, 2015.

Yours Faithfully,
Board of Directors

Contact

www.aselsan.com.tr

P.O. Box 1, 06172,
Yenimahalle / Ankara, TURKEY

Macunköy Facility

Mehmet Akif Ersoy Mahallesi 296.
Cadde No: 16,
06370 Yenimahalle-Ankara, TURKEY
Phone: +90 (312) 592 10 00
Fax: +90 (312) 354 13 02
+90 (312) 354 26 69

Akyurt Facility

P.K. 30 Etlik, 06011, Ankara, TURKEY
Phone: +90 (312) 847 53 00
Fax: +90 (312) 847 53 20
mgeo_musteri@aselsan.com.tr

Marketing

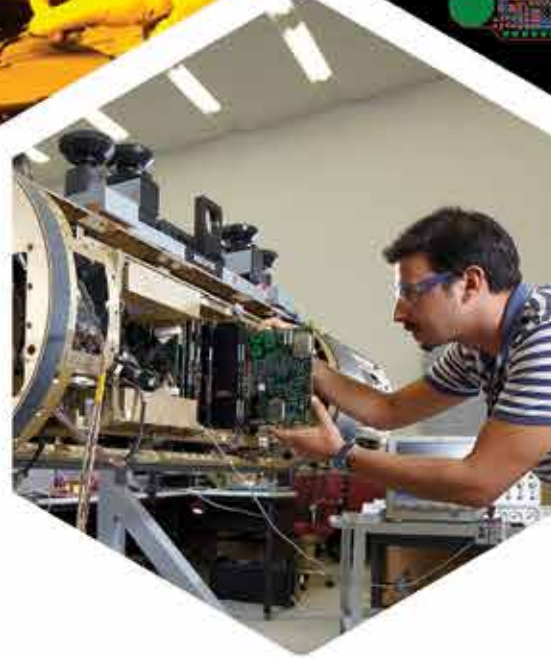
marketing@aselsan.com.tr

Human Resources

ik@aselsan.com.tr




Reliable Technology



aselsan

P.O. Box 1, Yenimahalle, 06172 ANKARA - TURKEY
Phone: +90 592 10 00 Fax: +90 (312) 354 13 02 www.aselsan.com.tr

 ASELSAN is a company of Turkish Armed Forces Foundation.